

Draft Minutes

of the Virtual Meeting of the

Audit Committee

Tuesday, 7th July 2020

Meeting Commenced: 10:34 Meeting Concluded: 12:05

Councillors:

P John Cato (Chairman)
P Geoffrey Richardson (Vice Chairman)

P Sandra Hearne
A Marcia Pepperall
P Richard Westwood (from 10.41am)

P: Present
A: Apologies for absence submitted

Other Councillors in attendance: Steve Bridger, John Ley-Morgan

Officers in attendance: Nicholas Brain (Corporate Services), Hazel Brinton (Corporate Services), Peter Cann (Audit West), Sue Efford (Corporate Services), Richard Penska (Corporate Services), Melanie Watts (Corporate Services), Jeff Wring (Audit West)

AUD Chairman's Welcome

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The Chairman welcomed everyone to the first virtual meeting of the Audit Committee.

He explained the procedures to be followed at the meeting and confirmed that decisions taken at this virtual meeting would have the same standing as those taken at a physical meeting of the Council in the Town Hall.

The Chairman reminded everyone that the meeting was being livestreamed on the internet and that a recorded version would be available to view within 48 hours on the North Somerset Council website. The meeting had started slightly later than the scheduled time due to technical difficulties with members connecting to the meeting.

At the invitation of the Chairman the Democratic Services officer took a roll call of councillors to confirm attendance for the benefit of those in the meeting and members of the public watching online.

**AUD 2 Public Participation (Standing Order 17 as amended by SO 5A)
(Agenda item 1)**

None

**AUD 3 Declaration of disclosable pecuniary interest (Standing Order 37)
(Agenda item 3)**

None

AUD 4 Minutes of the Meeting held on 30 January 2020 (Agenda item 4)

Resolved: that the minutes of the meeting be approved as a correct record.

AUD 5 Emergency Governance and Decision-making Arrangements (Agenda item 6)

The Head of Legal and Democratic Services presented a report on the emergency governance and decision-making procedures used during the COVID-19 response phase and proposals for policy development and scrutiny arrangements in the forthcoming period. He noted that the decision-making procedures implemented were beyond those required by the Constitution. He invited members to comment on the changes proposed to the scrutiny and policy development process and make proposals for modification.

Members questioned the Head of Legal and Democratic Services on whether the call-in process by Policy and Scrutiny Panels was still in force; whether the procedure for consultation was published and whether the Policy and Scrutiny Panels had restarted their work.

The Head of Legal and Democratic Services confirmed that the call-in facility was still available to the appropriate panel even during a period of emergency; the consultation procedure is published in the Constitution and that Policy and Scrutiny Panels have re-started their meetings as per the Municipal Calendar.

Members questioned the level of the council's engagement with town and parish councils during the period of emergency decision making. The Head of Legal and Democratic Services replied that by their nature the decisions were required quickly and wherever possible the relevant Policy and Scrutiny Chairman and ward member were engaged in the decision. He noted however that some decisions had been reviewed considering representations from non executive members and town and parish councils and accepted the point regarding early town and parish council engagement.

The committee noted that an overall work plan was currently being drawn up which would be brought to the next meeting of the Policy and Scrutiny Panels' Chairmen and Vice Chairmen and to which this committee's chairman would be invited. Additionally, it was proposed that Policy and Scrutiny Panels should have the option to divide agenda items between the policy and scrutiny elements going forwards.

Resolved: that the Emergency Governance and Decision-Making Arrangements report be noted.

AUD Covid-19 Risk Register (Agenda item 7)

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The Interim Section 151 Officer introduced the report and associated risk register noting that it is a broad list designed to give the committee assurance that risks due to Covid-19 were being captured, monitored and mitigated.

Members asked how the register was maintained and reviewed and how the mitigating actions were tracked including underlying assumptions regarding Covid-19 infection rates. They also queried actions taken for those staff experiencing difficulties with Working from Home specifically. The Interim Section 151 Officer confirmed the Covid-19 register was reviewed weekly by the Corporate Leadership Team (CLT) with in depth analysis of one or two risks each week. He noted that each of the items could be reported back to the Executive as necessary dependent on the level of each risk and that assumptions around Covid-19 infection rates were monitored via the use of a data dashboard. The Interim Section 151 Officer acknowledged the difficulties some staff experienced working at home and noted that the council offices remained open for those with limited capacity to do so but that many staff were working very effectively from home.

Resolved: that the Covid-19 Risk Register and associated report be noted.

AUD Business Support Grant Funding - Anti-Fraud Work (Agenda item 8)

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The Head of Audit and Assurance presented the report on the business support grant funding provided by the government during the Covid-19 crisis and the work being undertaken across North Somerset Council to deter, prevent and detect fraud relating to COVID-19 Business Support Grant Funding.

Members asked questions around the source of funding for the additional audit work required; whether other work was being neglected; the source of funding for the prosecution costs; whether the council would be liable for any loss due to payments made in error or due to fraud and how many instances of fraud had been identified.

The Interim Section 151 Officer confirmed additional costs were likely to be covered by recent national new burdens funding announced by central government to cover administration costs and audit work around the grant funding scheme. He added that it had been imperative the council distributed the grants to local businesses as quickly as possible and noted that the council would only be liable for the loss if it had been negligent in awarding a grant.

The Head of Audit and Assurance confirmed that there had been seven instances of funding awarded where there needed to be further investigative

work. The use of the government Spotlight tool had been useful in the work. None appeared to be fraudulent.

Resolved: that the Business Support Grant Funding - Anti-Fraud Work report be noted

AUD Audit and Assurance Annual Report 2019 – 2020 (Agenda item 9)

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The Head of Audit and Assurance presented the closing Internal Audit Annual Report to the committee for the financial year 2019/20 including a summary of audit performance and key issues, as well as the formal opinion on the internal control framework.

He reported two areas considered weak: the HR Transactional and Payroll Service and IR35 Off Payroll Working Rules. He also noted two whistleblowing incidents reported to the council during the year. Further work was planned in all areas in the coming year. During the year, revisions had also taken place in several areas of fraud prevention strategy and policy and a fraud awareness session undertaken with members of the committee. This would be rolled out to all members and staff during the coming year.

Members asked questions on the size of the risk in respect of IR35, how the situation came about and lessons to be learnt.

The Head of Audit and Assurance replied that the council actively tries not to employ under IR35; that the size of the risk is related to number of people and their salaries; that the risk was transferred across to the council in 2017 after high profile media coverage of national cases and that the monitoring and ownership of the issue is now managed in one service area rather than just lying with individual managers.

The low number of whistleblowing incidents was queried, and the Head of Audit and Assurance replied that significant resource has been put into the council's anti-fraud and corruption strategy with the website updated to enable public concerns to be communicated to the council easily. Members expressed the view that the Chief Executive should be made aware of their concerns in relation to the low number reported.

Members asked about the size of the fraud around the Blue Badge scheme. The Head of Audit and Assurance replied it was an important area for their fraud prevention work and he would obtain the local figure for members. A full review of the council process would be carried out in this year as opportunities to improve the process around the scheme had been identified.

Members voiced their concerns over the way risk sections were presented and their completeness. The Head of Audit and Assurance noted that work in this area had been incorporated into the work plan for this year and he would involve members in the discussions.

The Chief Audit Executive explained the term Reasonable Assurance as an opinion he had to give publicly on the entire internal control framework and that the council could not get higher than the Reasonable Assurance opinion which he had given so committee members could be assured on this area of their remit.

Resolved: that the Audit and Assurance Annual Report 2019 – 2020 be noted.

AUD Audit and Assurance Plan 2020 – 2021 (Agenda item 10)

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The Head of Audit and Assurance presented a report outlining the Annual Audit and Assurance Plan 2020-21 which forms the principal work of the Internal Audit Service for 2020-21 and noted that the work plan had been widely consulted on in the previous financial year including consultation with this committee's members. He added that the plan had been drawn up prior to the Covid-19 crisis and would therefore have to be continually reviewed during the year and be flexible to react to emerging risks.

Members queried when the next external assessment of Internal Audit would take place. The Head of Audit and Assurance confirmed they were done every five years and the last one took place in 2018. The assessment can be brought forward but it would take place during this committee's term of office in any event. The Audit Committee would be involved in the process.

Members asked what "all form of assurances" encompassed. The Chief Audit Executive explained it meant that assurance would be sought from all sources including the external audit, inspectorates and risk management processes. In doing so, unnecessary duplication of work is avoided.

Members asked if a specific audit of the Housing Infrastructure Fund (HIF) was in the work plan. The interim Section 151 Officer suggested the risk in the project was currently in procurement and could be covered in the work plan by Internal Audit looking at the HIF in procurement related reviews rather than changing the work plan.

Resolved: that the Audit and Assurance Plan 2020 – 2021 be approved.

Chairman
