

Minutes of the Meeting of the Standards and Audit Committee held on 24 November 2020 at 7.00 pm

Present:	Councillors Gerard Rice (Chair), David Potter (Vice-Chair), Gary Collins, Cathy Kent and Luke Spillman
In attendance:	Sean Clark, Corporate Director of Finance, Governance and Property Andrew Millard, Director of Place Gary Clifford, Chief Internal Auditor Lisa Clampin, Binder Dijke Otte (BDO) Representative Anna Eastgate, Assistant Director of Lower Thames Crossing and Transport Infrastructure Projects David Kleinberg, Assistant Director for Counter Fraud & Investigations Jonathon Wilson, Assistant Director, Finance Jenny Shade, Senior Democratic Services Officer

Before the start of the Meeting, all present were advised that the meeting was being live streamed to the Council's online webcast channel.

62. Minutes

The minutes of the Standards and Audit Committee held on the 10 September 2020 were approved as a correct record.

63. Items of Urgent Business

There were no items of urgent business.

64. Declaration of Interests

There were no declarations of interest

65. Audit Completion Report for the Year Ended 31 March 2020

Jonathan Wilson, Assistant Director Finance, presented the audit completion report that provided Members with an update that the audit was nearly complete and specifically made reference to the unadjusted misstatement for the McCloud adjustment to the pension fund. Reference was also made to there being six adjustments made to the financial statements, of which one was material; four of the six were noted to be classification issues only with the other two relating to valuation adjustments in respect of PPE.

Lisa Clampin, Binder Dijke Otte (BDO), then introduced the report from BDO's perspective, before the report was presented in detail by Matthew Weller. The key points highlighted were as follows:

- Materiality was consistent with the basis previously communicated in the planning report, but had been increased to reflect the numbers in the draft accounts.
- Triviality had been increased to a higher percentage following feedback at the previous committee.
- The summary page included details of the adjusted and unadjusted misstatements which were discussed in detail further down the report.
- The risks were talked through in detail. It was noted that there was nothing to raise on management override, revenue recognition or expenditure cut-off.
- In respect of PPE valuations, we raised that the valuer had included a material uncertainty statement with respect to the valuations and an emphasis of matter paragraph would be raised in response to this. We also raised that there were a number of adjustments in respect of PPE valuations, of which the two highest value had been adjusted by the Council and the remainder were trivial.
- For the pension fund liability, we noted that there was also a material uncertainty statement regarding the valuation of assets in this fund, which would also require an emphasis of matter to be raised.
- On the bad debt provision, we stated that the provision had been calculated using the Council's best estimates of the recovery rates and did not factor in historical recovery rates, for which we had raised a recommendation.
- We confirmed we had no issues with the basis of valuation of financial instruments, but the movement in valuation for one specific asset had not been adjusted from the prior year resulting in an unadjusted misstatement being raised.
- We confirmed that we believed the Council to be a going concern.
- We stated that we were not aware of any fraud and asked the committee if they would like to bring any to attention. Nothing was raised.
- A brief overview was provided of the unadjusted misstatements regarding the movement on the valuation of one financial instrument and errors identified in respect of the VAT debtor. We also raised that there was an additional unadjusted misstatement to be added to the list relating to the extrapolation of an overstatement identified on our REFCUS sample test.
- We mentioned that the remaining three unadjusted errors were brought forward from the prior year, and that the most significant of these regarding McCloud had already been raised by Jonathan Wilson.
- We mentioned that Jonathan Wilson had already discussed the adjusted errors and these were not covered any further.
- For use of resources, we confirmed that there were no issues to report.
- We confirmed that the Council was required to revalue all land and buildings assets at least once every five years, and that we had identified three which had not been valued. A recommendation had therefore been raised to ask the Council to perform a review for any other assets not revalued and schedule a valuation for 2020/21 for these assets.
- We mentioned that for the recommendation regarding review of system access right, there was a control in place, but this control was not

documented and we could not therefore evidence that it was in place. Our recommendation was therefore that the control was documented.

- It was noted that there would be an additional recommendation raised regarding the fact that two new users were provided access to Oracle without the correct approve process taking place. We had no specific concerns regarding these users, but there was a risk if procedures were not followed.
- The recommendation on the bad debt provision was not raised in detail as had already been discussed above.
- The recommendation regarding payroll contracts was highlighted in that we had been unable to obtain seven of our 40 samples, and six of the 33 we did obtain were not signed.
- We confirmed that no action had been taken in respect of the prior year recommendation raised on journals, and that the recommendation raised on the HRA were now cleared.
- An update was provided on the outstanding items, which were largely the same as when the report was issued. It was confirmed that the significant review points had been answered, and we were still working through the less significant points which were largely tidying of the file.

Lisa Clampin subsequently clarified a few points as follows:

- It was explained what an emphasis of matter paragraph was.
- It was confirmed that the unadjusted misstatement for REFCUS would be added to the unadjusted list and a revised version of the audit completion report would be issued at the end of the audit.
- It was confirmed that a number of Local Government organisations would not meet the 30 November deadline, but we do not expect Thurrock to be one of them.

Jonathan Wilson then added clarification on some of the points:

- He told the committee what REFCUS was.
- He clarified that in respect of unadjusted items that a decision was made based on materiality and the impact on the general fund. For items relating to valuation consideration will also be given to whether this will be superseded in the following year.
- He clarified that if the financial instrument valuation had been adjusted for, this would have been an increase in the value of the investment but due to the accounting rules would not increase the general fund.
- He confirmed that management had provided responses to all recommendations raised.

Councillor C Kent questioned what the timetable was for responding to recommendations, given one of last year's had not been implemented. Jonathan Wilson stated that all recommendations were being considered. In respect of the specific point on the one from last year, he confirmed that the Council was unlikely to implement this as they believed the control environment was sufficient without implementing this point, but it would be reviewed.

Councillor Spillman thanked the auditor team and officers for the update and raised a question in regard to how much reliance could be placed on the audit given the difficulties faced in the COVID environment. Lisa Clampin responded saying BDO was using technology to good effect to counter any potential issues with audit quality and confirmed that the main impact was on the time it took to do the audit remotely.

Councillor Collins raised a question regarding what the extent of the issue with payroll contracts was. Lisa Clampin responded saying that this was not a major concern to BDO, but was a point for which a recommendation was required. Jonathan Wilson added to this by saying that there was no legal requirement for signed contracts to be in place, and also that the Council was introducing a new electronic system going forward which was expected to resolve this issue.

RESOLVED

That the Standards and Audit Committee considered the comments of the external auditors as set out in the attached report and noted their findings.

66. Financial Statements and Annual Governance Statement 2019/20

Jonathan Wilson, Assistant Director Finance, presented the report by stating the financial statements had been subject to external audit. External audit work was substantially complete with outstanding matters covering completion procedures and audit file and statement of accounts review. Financial statements had been updated with audit amendments and were included as an appendix to this report. Members would have already considered the external auditor's opinion earlier on this agenda that both the Financial Statements and the Use of Resources conclusions would be unmodified. The Annual Governance statement was also included as an appendix to this report and the review by external audit had concluded that it was consistent with external audit's knowledge of the Council.

There were no questions raised so the Chair asked for Members agreement to the proposed recommendations.

The meeting was paused for five minutes due to a technical issue.

RESOLVED

That the Standards and Audit Committee:

- 1. Gave consideration to the comments within the Audit Completion Report considered earlier on the agenda, approve the Group Financial Statements;**

2. **Noted the issues contained within, and approve, the Annual Governance Statement; and**
3. **Approved the letter of representation on behalf of the Council to be signed by the Chair of the committee.**

67. Regulation of Investigatory Powers Act (RIPA) - Activity Report April 2020 - September 2020

Sean Clark, Corporate Director of Finance, Governance and Property, presented the report that stated there had been no Thurrock RIPA surveillance authorisations proceed during April 2020 and September 2020.

There were no questions raised so the Chair asked for Members agreement to the proposed recommendation.

RESOLVED

That the Standards and Audit Committee noted the statistical information relating to the use of RIPA for the reporting period.

68. Internal Audit Progress Report 2020/21

Gary Clifford, Chief Internal Auditor introduced the progress report that covered the final reports issued to date, draft reports issued and work in progress in respect of the Internal Audit Plan 2020/21, which was discussed and agreed by the Standards & Audit Committee at the meeting on the 9 July 2020.

Councillor Rice asked for an update on the garage rent arrears as part of the Assignment: Housing Rents on page 283 of the agenda. Gary Clifford stated this related to an issue identified as part of that assignment where arrears were not being addressed in line with the Council's procedures. He confirmed there was a process in place and the action would be to monitor the arrears more closely but the member of staff who dealt with this had been self-isolating from COVID at the time of the audit and had now returned to work and was ensuring the correct process was being followed.

RESOLVED

That the Standards and Audit Committee considered the reports issued and the work being carried out by Internal Audit in relation to the 2020/21 audit plan.

69. Counter Fraud & Investigation Quarterly Update (Q2)

David Kleinberg, Assistant Director for Counter Fraud, Investigation & Enforcement, presented the report that outlined the performance of CFI over the last quarter (Q2) for Thurrock Council as a whole as well as the work the

team have delivered nationally for other public bodies. Members were referred to Appendix 1 that outlined the CFI Plan for 2020/21.

Councillor Collins referred to the COVID Business Grant Support Programme and questioned whether there had been any fraud that had been detected in that area. David Kleinberg stated there had been a few cases, to which one was reported on at the last committee but since more had been learnt about this scheme and the team had adapted to it a lot of fraud had been prevented. Members would be provided with updated figures at the next committee meeting.

Councillor Spillman asked, in the team's view, when the courts would be up and running to a sensible degree and fit for purpose for the action the Council would need to take. David Kleinberg stated that some courts were now open, with additional courts being opened to deal with the number of backlog cases with serious crime cases being prioritised. In regards to civil courts, work was still be undertaken with HM Courts Service to understand the capacity but hoped in the next quarter progress would be made on backlog cases. Councillor Spillman noted that Councillors were aware of the situation and how those figures in this current pandemic were being presented to this committee.

RESOLVED

That the Standards and Audit Committee commented on the performance of the Counter Fraud & Investigation Department.

70. A13 Widening Project

Anna Eastgate, Assistant Director for Lower Thames Crossing and Transport Infrastructure Projects, presented the report that provided Members with an update on the A13 project. The report focused on the latest progress made on the delivery of the scheme, the current programme and current out turn forecast.

The Chair stated he was delighted to see that tarmac had started to be laid which was a very positive way forward.

Councillor Spillman asked since the last meeting what was the worst and most difficult thing to have happened on this project. Anna Eastgate stated there had been some changes to resources on the project so some continuity had been lost but there was proper and significant handovers with that resource to continue the challenge and review that had already taken place so far on the project. Councillor Spillman questioned whether Anna Eastgate was happier with progress now to which Anna Eastgate stated this was a challenging project but would continue to work as hard as possible to mitigate and manage the impacts in terms of budget and programme as much as possible.

Councillor Collins questioned how long the road surface was currently going to last based on the projected usage. Anna Eastgate stated this was a technical question but understood the surface should last for five years and agreed to check this detail and circulate to members following the meeting.

Councillor C Kent referred to the minutes of the previous meeting where details of a workshop had been noted to look at the funding gap between SELEP and other organisations and requested an update. Also questioned whether there was any timetables on dates when any extra funding received would need to be spent by to ensure the revenue was there to complete the project. Anna Eastgate stated the funding was safely secured and on programme to spend the budget that had been identified up to the end of this current financial year, there would be reclaim of that money from SELEP as this money would have been sent within the timeframes to spend that money. Anna Eastgate also stated that work was ongoing in relation to the funding gap and work was being undertaken across different departments within the Council to look at proposals to bridge that funding gap and once further information was available this would be reported back to members.

Councillor Rice questioned the current amount of overspend to which Anna Eastgate stated that the budget was currently being reviewed and once that piece of work had been completed would be brought back to committee.

RESOLVED

That the Standards and Audit Committee noted and commented on the report content.

71. Stanford Le Hope Transport Project

Anna Eastgate, Assistant Director for Lower Thames Crossing and Transport Infrastructure Projects, presented the report that provided Members with an update on the Stanford Le Hope Transport Project. This report and future reports would focus on the latest progress in delivery of the scheme, any changes in the agreed programme and any changes in the out turn forecast.

Councillor Rice questioned whether the whole project would be completed in 2021. Anna Eastgate stated that due to the changes in scheme to deliver the project in two phases, the station and then the transport hub on the opposite side of the road there would be a slight delay in the transport hub coming forward which was currently at design stage. The focus had been on the station side of the road with the transport hub following closely behind. It was anticipated that the work for the transport hub would not be as lengthy or detailed as the station. An updated programme on Phase 2 would be made available to members once available.

Councillor Rice questioned as part of Phase 1 would passengers have an upgrade onto the station. Anna Eastgate confirmed that yes this would be the case and stated that the benefit of having Phase 2 across the road enabled

more efficient construction of the station site and would help accelerate the delivery of the Phase 1 works.

RESOLVED

That the Standards and Audit Committee notes and comments on the report content.

72. Investment Briefing

Sean Clark, Corporate Director of Finance, Governance and Property, presented the report that provided Members with a brief update on the Council's investments and borrowings as of 10 September 2020. As requested by the committee this report provided the latest update to members and set out the actual levels of investments and borrowings as at 31 October 2020. Members were referred to the key financial information of the Council's investment performance and the spread of the investments on pages 302 and 303 of the agenda

Councillor Collins congratulated Sean Clark and his team for the fantastic work that had been undertaken during this pandemic.

Councillor C Kent asked for reassurances that in light of the COVID pandemic that the Council's investments were secure and that going forward the Council were not putting itself under any undue financial restraints in relation to those investments. Sean Clark raised a possible issue that one of the Council's smaller investments had some small cash flow issues at this moment, but with the level of cash, with some cash already being pulled back and the levels of capital was largely secure. More details from this would be shared with the shadow investment committee when they meet in December. Sean Clark confirmed that the rest of the investments were doing very well, with returns and there had been no threats to the Council's capital. That reassurance was given to Members that all was looking very positive and not such as a concern when compared to other places around the country.

Councillor C Kent referred to the Council's income and questioned over the next few years would these investments still be holding up to help the Council when budgets were being looking into. Sean Clark stated that the majority of investments were in renewable energy and one of the reasons for this was there was no sign of this being impacted going forward and that these assets had not been so affected by COVID. That in terms of the medium term strategy the returns on the current investment would remain stable and nothing had been seen to change that opinion. In regards to the budget gaps and pressures, as no further investments would be made in the foreseeable future, this was no longer a tool to bridge those gaps going forward. Therefore the investments we had were stable but no further investments to be able to support the pressures.

Councillor Spillman thanked Sean Clark for the report and stated that further investments should still be looked into and questioned whether the decision to

not make any future investments was political or based on risk. Sean Clark stated there were a number of reasons but the market had become a lot more difficult and the environment was becoming more difficult to go forward on investments of this nature.

Councillor Spillman questioned whether it was dearer to borrow from PWLB rather than the borrowing from other councils. Sean Clark stated that it was more expensive but was dependant on the amounts and over what period.

Councillor Spillman questioned what the financial impact would be to the Council of this change in borrowing. Sean Clark stated that it varied and so was a hard question to answer. The MTFS already assumed circa £1.5m growth per annum in borrowing costs to allow for these changes going forward and that this would reduce over time as investments dropped out.

Councillor Spillman stated he was passionate about renewables and for Council's to start paying their own way and was happy with this approach and thanked Sean Clark.

Councillor Rice referred to the 80% of investments in renewables and questioned when these investments would come to an end. Sean Clark stated that the majority were around 7 to 8 years but there were various different periods within that. There was also the ability to pay back those at any time so some may be shorter than that.

RESOLVED

That the Standards and Audit Committee noted the report.

73. Work Programme

Members noted the work programme.

The meeting finished at 8.20 pm

Approved as a true and correct record

CHAIR

DATE

Any queries regarding these Minutes, please contact
Democratic Services at Direct.Democracy@thurrock.gov.uk