

**Committee and Date**

Audit Committee

20 July 2022

**MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 22 FEBRUARY 2022
10.00 AM - 1.00 PM****Responsible Officer:** Michelle Dulson

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Present

Councillors Brian Williams (Chairman), Rosemary Dartnall, Simon Harris (Vice Chairman), Nigel Lumby and Roger Evans

49 Apologies for Absence / Notification of Substitutes

No apologies for absence were received from Members.

50 Disclosable Pecuniary Interests

Members were reminded that they must declare their disclosable pecuniary interests and other registrable or non-registrable interests in any matter being considered at the meeting as set out in Appendix B of the Members' Code of Conduct and consider if they should leave the room prior to the item being considered.

51 Minutes of the previous meetings held on the 16 September and 22nd October 2021**RESOLVED:**

That the minutes of the meetings of the Audit Committee held on 16 September 2021 and 22 October 2021 be approved as a true record and signed by the Chairman.

52 Public Questions

The Chairman advised that 2 questions had been received from Stephen Mulloy. A copy of the questions and the responses provided are attached to the signed minutes and available from the web page for the meeting.

53 Member Questions

The Chairman advised that a question had been received from Councillor Roger Evans. A copy of the questions and the responses provided are attached to the signed minutes and available from the web page for the meeting.

By way of supplementary question Councillor Evans commented that the site was not a vacant site but that the building was derelict and should be considered as an abandoned building.

54 Second line assurance: Treasury Strategy Mid-Year Report 2021/22

The Committee received the report of the Executive Director of Resources which provided an economic update for the first six months of 2021 and included a review of the investment portfolio and borrowing strategy for 2021/22 and confirmed compliance with Treasury and Prudential limits.

Referring to Cornovii Development Limited (CDL), Members noted that three loans had been consolidated into a single loan; the loan arrangements had been based on treasury requirements. Initially as CDL had been a start up, higher risk company, the rates for the three initial loans had been set accordingly at a higher rate.

The Executive Director of Resources added that as assets were built by CDL the loan rates may fall over a period of time. He stressed that the rates were applicable at the time and there was no requirement for CDL to borrow from the Council nor was there any requirement for the Council to lend to the company.

Responding to a Member's concern regarding the Council's current investment list indicating investment in some other local authorities, the Executive Director of Resources stated that the Council would always recoup its investment as local authorities by Statute could not go into liquidation. Furthermore, the Council still retained the option to decide which local authorities it wished to invest with.

RESOLVED:

That Members accept the position as set out in the report.

55 Second line assurance: Treasury Strategy 2022/23

The Committee received the report of the Executive Director of Resources which proposed the Treasury Strategy for 2022/23 and recommended Prudential and Treasury Indicators for 2022/23 to 2024/25.

Responding to a Member's query, the Executive Director of Resources explained the position relating to both long term and short-term investment rates. He explained that the rates detailed within the report related to December 2021 and the rates changed daily. The Council's existing borrowing was at a fixed rate and any increase in base rates would have an impact on future borrowing, however, borrowing was undertaken in accordance with borrowing thresholds and was based on capital requirements at a certain period in time. He added that all borrowing had to be needed and justified; the Council did not borrow in advance of need.

Responding to a Member's acknowledgement that borrowing would not jeopardise the future revenue account, the Executive Director of Resources stressed that the situation relating to borrowing charges was continually assessed and kept under constant review together with any resultant review of the Capital Strategy.

To aid interpretation of complex issues, the Executive Director of Resources agreed to provide pictorial information regarding the Council's prudential indicators and reserves position to future meetings of the Committee. Members agreed that any questions relating to prudential indicators be made ahead of future meetings for answers to be provided on these complex issues at the meetings.

RESOLVED:

That the Audit Committee endorse, with appropriate comment, the Treasury Strategy 2022/23.

56 Second line assurance: Strategic Risk Update

The Committee received the report of the Risk and Insurance Manager which set out the current strategic risk exposure following the December 2021 quarterly review.

In the absence of the Risk and Insurance Manager, the Head of Audit explained that 16 strategic risks had been identified; the Executive Directors undertook a rolling review of strategic risks on a weekly basis considering one risk each week. She added that an annual strategic risk workshop was held where each risk was reviewed and challenged, and a subsequent report made to Cabinet.

In considering the content of the report Members were of the general opinion that further information was required to improve understanding of the scores, the derivation of risks, the management of risk, in fact, the risk management process itself. Together with a further report at the next meeting, a Member training session was also considered to be beneficial to assist Members' understanding of the Council's management of risk.

RESOLVED:

- i) That Members accept the position as set out in the report.
- ii) That an update report be provided to the next meeting providing additional information relating to derivation of risks and explanation of scores.
- iii) That a Member training session be arranged with Member questions being submitted prior to the meeting to increase the benefit of the session.

57 Second line assurance: Annual review of Counter Fraud, Bribery and Anti-Corruption Strategy and activities, including an update on the National Fraud Initiative

The Committee received the report of the Head of Audit which outlined the measures undertaken to evaluate the potential for the occurrence of fraud, and how the Council manages these risks with the aim of prevention, detection, investigation and subsequent reporting of fraud, bribery and corruption.

The Head of Audit stated that the Counter Fraud, Bribery and Anti-Corruption Strategy had been reviewed and an update was provided on the action plan to ensure continuous improvement in the fight against fraud, bribery and corruption.

She drew Members' attention to the following points within the report:

- Action Plan and activities against key actions;
- Annual assessment to ascertain strengths and weaknesses regarding the management and prevention of fraud;
- Whistleblowing Policy (an out turn report to be made to a future meeting of the Committee);
- Management of counter-fraud processes;
- Fluidity of plans and recognition that the local demographic may not be the same as national headliners.

Finally, answering a Member's concerns regarding the lack of a dedicated Council Tax fraud team, she stressed that there was however a resource tackling this issue who were motivated to ensure that any fraud did not reoccur and informed on improvements to the control environment. She stated that further information on this issue would be provided to a future meeting.

RESOLVED:

That Members endorse the Counter Fraud, Bribery and Anti-Corruption Strategy and measures undertaken and detailed in the report to manage associated risks with the aim of prevention, detection and subsequent reporting of fraud, bribery and corruption.

58 Governance Assurance: Annual review of Audit Committee Terms of Reference

The Committee considered the report of the Executive Director of Resources which provided an updated version of the Terms of Reference for the Audit Committee for approval. It was noted that there had been no significant changes made.

RESOLVED:

That the revised Audit Committee Terms of Reference be approved.

59 Governance Assurance: Annual Audit Committee Self-Assessment

The Committee received the report of the Executive Director of Resources following the request to Members to review and comment on the self-assessment of good practice questionnaire. The self-assessment had allowed Members to assess the effectiveness of the Audit Committee and to identify any further improvements that could be made which would improve the Committee's overall effectiveness.

The Chairman commented that three of the current membership had not been members of the Council and therefore Audit Committee when some of the information within the report had been compiled and he looked forward to the results of the 2022 feedback which should show increased Member confidence.

RESOLVED:

- i) That the self-assessment of good practice attached at Appendix A be endorsed.
- ii) That the analysis of training requirements attached at Appendix B be endorsed.

iii) That the Action Plan be reviewed and revised to improve areas of weakness.

60 Governance Assurance: Draft Audit Committee work plan and future training requirements

The Committee received the report of the Head of Audit which set out the Audit Committee work plan for 2022/23 and a learning and development plan for Members of the Committee.

The following additional areas were identified and it was understood that this was an evolving picture:

- Cyber training and risk assurance
- Risk management training
- Follow up on treasury management.

The Chairman added that the document being considered was a working draft and subject to ongoing change.

RESOLVED:

That Members approve: -

- a) The Audit Committee work plan for 2022/23 as set out in Appendix A;
- b) The learning and development plan for Members of the committee taking in to account information in Appendices A and B.

61 Governance Assurance: Internal Audit Quality Assurance - External Assessment Outcomes 2021/22

Members received the report of the Head of Audit which detailed the outcomes of the external assessment of the Council's Audit Services. This had concluded that Audit Services self- assessment was accurate and fully conformed to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

RESOLVED:

That the Audit Committee endorse the information set out in the report

62 Third line assurance: Internal Audit Charter

The Committee received the report of the Head of Audit which set out the Internal Audit Charter. She added that there had been no significant changes.

RESOLVED

That the Audit Committee endorse the Internal Audit Charter as set out at Appendix A to the report.

63 Third line assurance: Internal Audit performance report and revised Annual Audit Plan 2021/22

The Committee received the report of the Head of Audit which summarised the work of Internal Audit for the year 2021/22 to date.

She drew particular attention to the pie chart illustrating the work in progress and covering the risks across Directorates and the table illustrating the key work since the last report to Committee.

The Chairman commented on the significant risk caused by low staffing level within the team. The Head of Audit reported that recruitment procedures were progressing.

Responding to a Member's concerns regarding the Kier contract, the Head of Audit agreed that an update on the contract could be provided to the next meeting for Members to receive assurances on that issue.

RESOLVED:

That the Audit Committee endorse: -

- a) The performance to date against the 2021/22 Audit Plan.
- b) The adjustments required to the 2021/22 plan to take account of changing priorities set out in Appendix B and
- c) Identify any action(s) it wishes to take in response to any low assurance levels and fundamental recommendations, brought to Members' attention, especially where they are repeated.
- d) That an update on the Kier contract be provided to a future meeting of the Committee, as soon as possible.

64 Third line assurance: Report of the Audit Review of Risk Management

The Committee received the report of the Principal Auditor detailing the results of the Internal Audit review of the Risk Management system which had been assessed as 'reasonable' with the identification of minor control weaknesses. The focus of the review had been on user compliance with processes around operational and project risks.

She added that the operational risk registers were held in a standard spreadsheet format across all departments and maintained by each service area. This allowed operational risks to move up to the strategic risk register if necessary.

RESOLVED:

That the Committee endorse the findings from the review of Risk Management by Internal Audit.

65 Third line assurance: Internal Audit Plan 2022/23

Members received the report of the Head of Audit setting out the proposed risk based Internal Audit Plan for 2022/23.

She explained that the Plan provided coverage across the high risk areas of the Council and delivered internal audit services to a range of external organisations. The proposed Plan considered the requirement to produce an annual internal audit opinion and assurance framework. Should minor adjustments be needed before the finalisation of the Plan these would be agreed by the Section 151 Officer and reported to a future Audit Committee.

Members noted the ongoing impact of the Pandemic but recognised that business areas were picking up. The current low staffing position of the Audit team was understood and the measures being taken to address the vacancies were noted. The Head of Audit stressed that the quality of the work provided by the team remained sound, as exemplified by the external assessment.

RESOLVED

That the Committee endorse the approach taken to create the proposed Internal Audit Plan for 2022/23 and its adoption be approved.

66 Third line assurance: External Audit, Audit progress report and sector update

Members received the report of the External Auditor providing the Audit Committee with an update on progress by Grant Thornton in delivering their responsibilities as the Council's External Auditors, and other relevant updates and emerging issues.

The Key Audit Partner, assisted by the Engagement Manager, provided an update on the current position and explained that appropriate evidence was awaited to resolve some final queries, however the audit of the Council's Financial Statements was substantially complete.

In answer to a Member's comment, the Key Audit Partner explained that remote working had proved to be a challenge regarding information gathering but, in normal circumstances, the external audit timescale would be 4 to 5 months. He anticipated that the 2021/22 would be by the end of November and the 2022/23 publication date would be by the end of September.

RESOLVED

That the Audit Committee note the report

67 Date and Time of Next Meeting

Members were advised that the next meeting of the Audit Committee was calendared to be held on the 30 June 2022 at 10.00 am. However, given the timescales and workload of the Committee, the Chairman advised of the possibility of an additional meeting date to balance the workload and reduce the number of items for consideration at any given meeting.

68 Exclusion of Press and Public

RESOLVED

That in accordance with the provision of Schedule 12A of the Local Government Act 1972, Section 5 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations and Paragraphs 2, 3 and 7 of the Council's Access to Information Rules, the public and press be excluded during consideration of the following items.

69 Exempt minutes of the previous meeting held on the 16th September 2021

RESOLVED:

That the exempt minutes of the meeting of the Audit Committee held on 16 September 2021 be approved as a true record and signed by the Chairman.

70 Internal Audit: Fraud, Special Investigation and RIPA Update (Exempted by Categories 2, 3 and 7)

The Committee received the exempt report of the Principal Auditor which provided a brief update on current fraud and special investigations undertaken by Internal Audit and the impact these have on the internal control environment, together with an update on current Regulation of Investigatory Powers Act (RIPA) activity.

RESOLVED:

That the contents of the report be noted

Signed (Chairman)

Date: