

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,
HELD ON THURSDAY, 25TH JANUARY, 2024 AT 10.30 AM
IN THE COMMITTEE ROOM - TOWN HALL, STATION ROAD, CLACTON-ON-SEA,
CO15 1SE**

Present:	Councillors Sudra (Chairman), Fairley, Morrison and Platt
In Attendance:	Damian Williams (Director (Operations and Delivery), Richard Barrett (Assistant Director (Finance and IT) & Section 151 Officer), Craig Clawson (Internal Audit Manager), Clare Lewis (Careline and Community Manager), Karen Hayes (Executive Projects Manager (Governance)) and Keith Durran (Committee Services Officer)
Also in Attendance:	Steve Bladen (External Auditor)

16. ELECTION OF THE VICE-CHAIRMAN OF THE COMMITTEE

Following the resignation from the Council of Ian Lennard, the Committee was required to elect, from amongst its appointed membership, a new Vice-Chairman of the Committee to serve in that office for the remainder of the 2023/2024 Municipal Year.

It was moved by Councillor Platt and seconded by Councillor Fairley that Councillor Fairley be appointed as Vice-Chairman of the Committee.

On being put to the vote, Councillor Platt's motion was declared LOST on the Chairman's casting vote.

It was then moved by Councillor Morrison and seconded by Councillor Sudra that Councillor Steady be appointed as Vice-Chairman of the Committee.

On being put to the vote, it was **RESOLVED**, on the Chairman's casting vote, that Councillor Graham Steady be appointed as Vice-Chairman of the Audit Committee for the remainder of the 2023/2024 Municipal Year.

17. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

An apology for absence was received from Councillor Steady (with no substitution).

18. MINUTES OF THE LAST MEETING

It was **RESOLVED** that the Minutes of the last meeting of the Committee held on Thursday 5 October 2023 be approved as a correct record and be signed by the Chairman, subject to the following alteration and amendment to Minute 10 that:

"Minutes of the last meeting of the Committee held on Thursday 30 March 2023" has the date corrected to "Thursday 13 July 2023".

19. DECLARATIONS OF INTEREST

There were no declarations of interest made on this occasion.

20. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38

No Questions on Notice pursuant to the provisions of Council Procedure Rule 38 had been submitted on this occasion.

21. REPORT OF THE ASSISTANT DIRECTOR (FINANCE & IT) - A.2 - TABLE OF OUTSTANDING ISSUES

The Committee heard an oral update from Steve Bladen of this Council's external auditors. He explained that they were awaiting formal consultations to be launched by the Department for Levelling Up, Homes and Communities. Additionally, the National Audit Office was due to shortly launch a consultation on a revised code of audit practice. The consultations aimed to establish a backstop date of September 30, 2024, for completing audits up to and including the 2022-2023 fiscal year. Notably, there were numerous audits pending for the 2021-2022 and 2022-2023 periods across all suppliers, irrespective of the appointed audit firm.

Members heard how the backstop date might have resulted in qualified audit opinions due to incomplete audit work or disclaimed opinions for audits not initiated. The Minister for Local Government had recently sent a letter to the Chair of the Parliamentary Select Committee for Homes and Communities outlining those details. Whilst the Government's formal consultation hadn't yet commenced, it was anticipated imminently. Steve Bladen stated that, realistically, BDO wouldn't have been able to complete the audits for 2021-2022 and 2022-2023 by the end of September. Consequently, they expected those audits to be qualified in some manner. There might have been variations in the value-for-money conclusion, with auditors likely required to assess arrangements over the tendering period.

This summarized the Auditor's understanding at the time. While no formal consultation had begun, they anticipated its launch within the next week. The proposed backstop date for open audits was September 30, 2024.

QUESTIONS	ANSWERS
Are you confident you will meet this date (new back stop date).	Yes, we are confident we will if that is the date set by Central Government.
To clarify, some of the work will be completed by this date, but it will not be a complete report?	Yes, we don't think we could supply a complete report by that date.
This is a reduced service, so are you going to charge reduced costs?	Fees are set by the PSSA, they are looking to see if there is potentially a way to set reduced fees, due to the reduced work.
Could we hear from the Head of Finance and IT on this fees matter.	Government has made it clear that Councils can only spend money for work that has been received.
What level of assurance can you give us that this work will be completed?	High level of assurance.
Can you assure the Committee that you have everything that you need to complete your work?	There may be unknowns still to arise, and questions we may need answers to, but outside of this, yes, we have everything.

TABLE OF OUTSTANDING ISSUES

The Committee heard from the Executive Projects Manager (Governance) as she explained that the Table of Outstanding Issues had been reviewed and updated since it was last considered by the Committee in October 2023.

There were usually two main elements to this report as follows:

- 1) Updates against general items raised by the Committee
- 2) Updates against the 2023 Annual Governance Statement Action Plan

In terms of Item 1 above, there were no significant issues raised, with actions remaining in progress or with further details set out below. In terms of Item 2, it was proposed to defer an update to the March 2024 meeting of the Committee; to enable the most up to date position to be collated and finalised.

Continuing External Audit delays and an update on the External Auditor's work on the Council's Statement of Accounts 2020/21

In response to previous discussions on this issue at both Full Council and directly at the Audit Committee, the Chief Executive had written to senior management at BDO setting out the Council's disappointment and frustration with the external audit delays, and requested their assurance on the following matters:

- *"They will prioritise the Local Government sector as soon as possible this year;*
- *They will prioritise the completion of the 2020/21 accounts for Tendring District Council, especially as it is understood there are only two issues outstanding that should be reasonably straightforward to resolve by taking a pragmatic / proportionate approach;*
- *Their value for money opinion / commentary on our 2020/21 accounts will reflect the Council's most up to date position, which in turn will support us in continuing to demonstrate sound financial management / stewardship to all of our stakeholders; and*
- *They will prioritise / balance the associated audit work on the Council's 2021/22 and 2022/23 accounts to avoid qualified opinions being issued because you have not been able to undertake the necessary assurance work by the proposed statutory deadlines".*

To date no written response had been received. The Council's External Auditors had provided an update earlier on at the Committee's meeting.

RIPA – Regulatory Investigatory Powers Act 2000

This Authority had not conducted any RIPA activity in the last quarter, and it was rare that it would be required to do so.

Whistleblowing

This Authority had not received any Whistleblowing information since the adoption of the Whistleblowing Policy in July 2023. As part of the monitoring arrangements associated

with the effectiveness of this policy, relevant updates would be provided to this Committee during the year.

Other matters to highlight

Following the Committee's consideration of the Corporate Risk Register at its meeting in July 2023, the next six monthly update had been scheduled for this meeting. However, work remained ongoing to collate and finalise timely updates against the various items within the Corporate Risk Register, which would be reported to the March 2024 meeting of the Committee. In effect this put the six monthly reporting cycle back to the original dates of March and September.

After a short discussion the Committee **RESOLVED** to note the contents of the report.

22. REPORT OF THE INTERNAL AUDIT MANAGER - A.1 - REPORT ON INTERNAL AUDIT

The Committee heard how seven audits had been completed between September and December 2023, with all receiving satisfactory assurance with no significant issues reported. At that time of this meeting, one audit (Financial Resilience) was at the Draft Report stage awaiting finalization. Seven audits from the 2023/24 Internal Audit Plan were in the fieldwork phase, while the final nine audits were being risk-assessed and allocated based on available resources. Although there were nine audits due for scoping and progress in that quarter, the Internal Audit Team was not too far behind compared to the same time last year. Hence, there was no concern at that stage regarding the completion of enough audit work by the end of the financial year to provide the Head of Internal Audit with enough evidence for his Annual Opinion. Any necessary changes to the audit plan would be communicated to the Audit Committee. The majority of the key system audits were either complete or nearing completion, which carried significant weight in contributing to the annual opinion. In terms of Quality Assurance, satisfaction surveys had been issued for each completed audit. Three surveys were received out of the seven reviews undertaken, all providing satisfactory responses.

Members were updated on resourcing: Internal Audit had an establishment of 4 FTE posts with access to a third-party provider of Internal Audit Services for specialist audit days when required. There was a vacant Audit Technician post. One team member had been off sick since the beginning of November 2023, leading to approved overtime for another staff member to ensure minimal delay in delivering the audit plan. At the last committee meeting, it had been reported that an apprentice had started to provide administrative support. The apprentice had since gained full-time employment within the Council, resulting in the loss of administrative support for the audit team, necessitating the recruitment of another apprentice..

Regarding outcomes of Internal Audit Work, the standards required the Head of Internal Audit to report to the Audit Committee on significant risk exposures and control issues. Since the last report, nine audits had been completed, and the final report issued, aligning with Public Sector Internal Audit Standards.

Assurance	Colour	Number this Period	Total for 2022/23 Plan	
Substantial		3	7	

Adequate		3	12	
Improvement Required		0	0	
Significant Improvement Required		0	0	
No Opinion Required		1	2	Two consultative engagement in 2023/24 to date

In the color-coding approach, both the substantial and adequate opinions were shown in green as both were within acceptable tolerances.

Issues that arose from audits completed in the period under review that had received an 'Improvement Required' opinion required reporting to the Committee. There were no such significant issues identified within this period of completed audits.

Regarding the Management Response to Internal Audit Findings, processes were in place to track the action taken regarding findings raised in Internal Audit reports and to seek assurance that appropriate corrective action had been taken. Where appropriate, follow-up audits were arranged to revisit significant issues identified after an appropriate time.

The number of high severity issues outstanding was as follows: -

Status	Number	Comments
Overdue more than 3 months	3	
Overdue less than 3 months	2	
Not yet due	0	

Update on previous significant issues reported

All previous significant issues were now provided within Appendix B of this report.

External quality assessment

The Committee heard that an external quality assessment was recommended for Internal Audit functions every five years as per the Public Sector Internal Audit Standards (PSIAS). The five-year External Quality Assessment remained outstanding. However, as the new Global Internal Audit Standards would be effective from January 2025, it was recommended that the external assessment be delayed until the new standards were in place. Any assessment undertaken at this time would have required more work later when the new standards were introduced to ensure that the team met the requirements of the supplementary standards. The Institute of Internal Auditors had released guidance to be able to undertake a self-assessment as a stopgap until the new standards were released. A Quality Assurance Improvement Programme (QAIP) was carried out against this new guidance to ensure that a review was undertaken between March 2024 and the release of the new standards in January 2025.

A procurement process would need to be completed to choose an external provider to carry out the external assessment.

The Committee heard an update from the Corporate Director of Operations & Delivery in relation to Waste and Recycling, three issues concerning Northbourne Depot remained on the list regarding ongoing data integration. The Council had addressed them individually as preferred by the contractor. Progress had been made, with the first issue, related to site information, now undergoing live testing. Subsequently, the Council had focused on transferring contacts and repair information from the old system to the new one. Though frustrating, the Council had adhered to the contractor's step-by-step approach.

The frequency and effectiveness of the working group diminished as the Council moved closer to a contract. The Council were awaiting smartphones for operatives to access job data, facilitating seamless workflow across teams. Additionally, there were initiated efforts to expand operational systems to the engineering team. The transition process was slower than desired, but improvements were evident compared to previous periods.

The final issue involved managing stores and waste. Progress was positive, albeit slower than anticipated. A phased approach had been adopted to recover outstanding debt from customers, yielding £6,000 from the initial phase. Officers had prioritized enhanced data management, anticipating smoother transitions into new waste management contracts, emphasizing gradual yet impactful changes through data-driven strategies.

After an in-depth discussion it was moved by Councillor Sudra, seconded by Councillor Morrison and unanimously **RESOLVED** that:

- a. the report be noted;
- b. the Five Yearly External Quality Assessment be deferred until after the new Global Internal Audit Standards become effective in January 2025; and
- c. the Audit Committee members be provided with training in relation to "Out Standing Issues".

23. REPORT OF THE ASSURANCE AND RESILIENCE MANAGER - A.3 - ANTI FRAUD AND CORRUPTION STRATEGY

The Committee heard how the Council was required to have an Anti-Fraud and Corruption Strategy, and that it had last been updated in January 2023. The strategy was subject to an annual review process.

The amended strategy was set out in the appendix. Amendments made since the last review were highlighted in red/ italic font. For completeness, any sections being removed had been retained for the purpose of reporting the final version back to the Committee, with the font being struck through and in a red/ italic font.

Members heard how the Strategy continued to be based on CIPFA's code of practice on managing the risk of fraud and corruption. As its foundation, the Strategy set out the Council's commitments along with the following key areas:

- Purpose, Commitment and Procedure
- Legislation and General Governance
- Definitions
- Standards, Expectations and Commitment
- Roles and Responsibilities
- Prevention
- Detection and Investigation.
- Resources Invested in Counter Fraud and Corruption

The strategy would continue to be subject to an annual review process including progress against identified actions and had therefore been included on the ongoing work programme of the Committee. It was acknowledged that through its application, the Strategy would evolve to reflect the various strands of work being developed within the Council, which would be included in future updates presented to the Committee.

Updates against the Council's Anti-Fraud and Corruption Strategy Action Plan were also included within the appendices.

After a short debate the Committee **RESOLVED** to:

- a) approve the amended Anti-Fraud and Corruption Strategy, as set out in Appendix A to report A.3;
- b) request that going forward the annual review of the Anti-Fraud and Corruption Strategy report additionally on the effectiveness of it, for its previous 12 months; and
- c) that information be brought to that annual review of the most common cases/types of fraud over the previous 12 months.

The meeting was declared closed at 11.50 am

Chairman