

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,
HELD ON THURSDAY, 26TH SEPTEMBER, 2024 AT 10.30 AM
IN THE COMMITTEE ROOM, AT THE TOWN HALL, STATION ROAD, CLACTON-
ON-SEA, CO15 1SE**

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|------------------------|--|
| Present: | Councillors Sudra (Chairman), Fairley, Morrison and Platt (except items 41 – 44) |
| In Attendance: | Damian Williams (Corporate Director (Operations and Delivery)) (except item 47 (part)), Richard Barrett (Assistant Director (Finance and IT) & Section 151 Officer), Lisa Hastings (Assistant Director (Governance) & Monitoring Officer), Craig Clawson (Internal Audit Manager), Karen Hayes (Executive Projects Manager (Governance)), Ian Ford (Committee Services Manager) and Bethany Jones (Committee Services Officer) |
| Also Attending: | Emma Larcombe (representing KPMG – the Council’s External Auditor) |

41. APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of the Vice-Chairman (Councillor Steady), with no substitution.

42. MINUTES OF THE LAST MEETING

It was moved by Councillor Morrison, seconded by Councillor Fairley and:-

RESOLVED that the Minutes of the meeting of the Committee, held on 25 July 2024, be approved as a correct record and be signed by the Chairman.

43. DECLARATIONS OF INTEREST

There were no declarations of interest by Councillors in relation to any item on the agenda for this meeting.

44. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38

On this occasion no Councillor had submitted notice of a question pursuant to Council Procedure Rule 38.

45. REPORT OF THE INTERNAL AUDIT MANAGER - A.1 - PERIODIC REPORT ON INTERNAL AUDIT: JUNE 2024 TO AUGUST 2024

The Committee was provided with a periodic report on the Internal Audit function for the period June 2024 to August 2024. The Internal Audit Manager’s report also provided an update on the Internal Audit Charter for approval by the Audit Committee, as required by the professional standards.

That report was summarised as follows:-

- *Four audits had been completed since the last Audit Committee in July 2024. All four of the audits had received a satisfactory level of overall assurance of Adequate Assurance.*
- *A further 13 audits from the 2023/24 Internal Audit Plan had been allocated and six were currently at the fieldwork phase.*
- *The Internal Audit Charter needed to be reviewed and approved for the 2024/25 financial year. There had been no changes since the last update.*
- *The Internal Audit Manager continued to oversee the Fraud, Compliance, Risk and Health and Safety services whilst the Assurance and Resilience Manager was on secondment.*
- *Internal Audit were currently working with the Council's IT department to modernise the way its Fraud and Compliance Team worked, by introducing technology that could map out the most efficient routes when out on inspections as well as using data analytics to target the cases the Council inspected, in order to be able to work smarter within limited resources.*
- *Interviews for a new apprentice had been held and an appointment made.*

INTERNAL AUDIT PROGRESS 2024/25

It was reported that, in relation to the Internal Audit Progress of 2024/25, four audits had been completed since the previous update to the Audit Committee in July 2024, all of which had received a satisfactory overall opinion of 'Adequate Assurance'. No significant issues had been identified in this period. A further 13 audits from the 2023/24 Internal Audit Plan had been allocated and six audits were currently at the fieldwork phase.

Members were aware that the Internal Audit Manager and Executive Projects Manager (Governance) were currently undertaking a review of the Spendells Housing Project, as requested by Cabinet and the Chief Executive.

It was also reported that the Council's Audit Team were currently in the 'Key Systems' phase of the audit plan where all financial and core service systems and processes were reviewed. Each area was tried and tested as they were very important to the Council's day to day activities. It was not anticipated that any significant issues in this area would arise as historically they had been well managed. However, it was very important to ensure that those systems and processes continued to work as expected and remained well controlled.

Quality Assurance – The Internal Audit function issued satisfaction surveys for each audit completed. No unsatisfactory responses had been received in this period.

Resourcing

The Committee was reminded that Internal Audit currently had an establishment of 4 full time equivalent posts with access to a third party provider of Internal Audit Services for specialist audit days as and when required. The Team currently had a vacant post for an Audit Technician.

Team members had recently interviewed a number of candidates for a new apprenticeship and an appointment had now been made.

Members were aware that the Internal Audit Manager continued to manage the Fraud and Compliance teams whilst the Assurance and Resilience Manager was on secondment. The current arrangements were expected to last until December 2024 unless in the meantime the secondment was extended.

Officers were currently working with the IT department to modernise the way the Fraud and Compliance Team worked by introducing technology that could map out the most efficient routes when out on inspections as well as using data analytics to target the cases Officers inspected in order to be able to work smarter with limited resources.

Outcomes of Internal Audit Work

The Committee was aware that the Public Sector Internal Audit Standards (PSIAS) required the reporting of significant risk exposures and control issues. Since the last report four audits had been completed and the final report issued. No significant issues had been identified within the period.

| Assurance | Colour | Number this Period | Total for 2024/25 Plan | |
|----------------------------------|--------|--------------------|------------------------|---|
| Substantial | | 0 | 0 | |
| Adequate | | 4 | 4 | |
| Improvement Required | | 0 | 0 | |
| Significant Improvement Required | | 0 | 0 | |
| No Opinion Required | | 2 | 2 | Two consultative engagements in 2024/25 to date |

For the purpose of the colour coding approach, both the substantial and adequate opinions were shown in green as both were within the acceptable tolerances.

Management Response to Internal Audit Findings – Members recalled that there were processes 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 had been 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 | 4 | |
| Overdue less than 3 months | 0 | |
| Not yet due | 2 | |

The Audit Committee had previously requested more detail on the outstanding actions within the above table and on previous significant findings as a matter of context. Appendix B was to the Internal Audit Manager's report offered a summary of those findings and agreed actions as well as including the service response and an internal

audit status. This would become a regular appendix of the periodic progress reports going forward.

Update on previous significant issues reported

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

INTERNAL AUDIT CHARTER

Members were aware that a requirement of the PSIAS was for this Committee to review and approve the Internal Audit Charter on an annual basis. The Charter had been last updated and approved in September 2023.

It had been previously reported that new Global Internal Audit Standards had been introduced in January 2024 with a view to becoming mandatory in January 2025. Officers had been awaiting CIPFA's response with a view on their impact on the public sector.

It was reported that CIPFA had now stated that it would be producing a revised edition of the PSIAS, providing an overlay to support the adoption of the global standards specifically in the context of UK public sector organisations. It was anticipated that the revised PSIAS would be available in time to support adoption by 1 April 2025.

With this in mind, the Internal Audit Manager had decided to continue as planned to undertake a self-assessment of the Council's internal audit provision and to include a review of the Internal Audit Charter within this. It was proposed to continue with the current audit charter until those assessments had been completed and CIPFA had published an updated version of the Public Sector Internal Audit Standards.

The Internal Audit Manager and the Corporate Director (Operations and Delivery) responded to the Committee's questions on this report.

After discussion it was moved by Councillor Sudra, seconded by Councillor Morrison and unanimously:-

RESOLVED that –

- (a) the contents of the Internal Audit Manager's report (A.1) be noted; and
- (b) the Internal Audit Charter be approved.

46. REPORT OF THE ASSISTANT DIRECTOR OF LEGAL & GOVERNANCE - A.2 - COMPLAINT PROCEDURE AND ANNUAL LETTER TO THE COUNCIL FROM THE LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN

The Committee considered a report of the Assistant Director (Governance) (A.2) which provided it with the most recent annual letter to the Council from the Local Government and Social Care Ombudsman (LGSCO). That letter related to complaints processed by the LGSCO in the financial year 2023/24. It was intended to establish a practice through which those annual letters were reported to this Committee in the future and,

thereby, to extend awareness of such complaints and the opportunity for learning by the Council from complaints.

Members were informed that the Annual Letter from the LGSCO was normally issued in mid-July, with this year's letter being issued on 17 July 2024. The letter set out a summary for the previous financial year of the numbers of complaints received by the LGSCO concerning this Council, which services they related to, the decisions reached in the year on complaints made to it and compliance with recommendations from it on upheld complaints. The 2024 Letter from the LGSCO (in respect of 2023/24) was set out at Appendix A to the report (A.2).

It was reported that the Annual Letter was sent by the LGSCO to the Chief Executive, the Leader of the Council and the Chairman of this Council's Resources and Services Overview and Scrutiny Committee. A brief summary of the statistics from the Annual Letter, and the upheld complaints identified in the Annual Letter for the year concerned, had been submitted to the Chief Executive's Officer Management Team, as part of developing learning across the various upheld complaints. From this year's Annual Letter, and by comparison with the same letters received in 2021, 2022 and 2023, a comparison had been produced which was set out in the 'Background' section of the report.

The Committee was made aware that, where an individual report on a particular complaint to the LGSCO had identified maladministration, the Monitoring Officer was under a duty to report to Cabinet (in respect of executive functions) or Council (in respect of non-executive functions). The Annual LGSCO letters had been referenced in reports on individual upheld complaints to Cabinet and Council. Currently, there was no established practice to report Annual Letters to a body of Councillors to consider. Through this report, it was proposed for this Committee to take on this role, as part of its terms of reference related to: *'assess external regulatory reports and monitoring any quality improvement programmes where required. Comments are provided to Cabinet as appropriate'*.

The Committee was also advised that there was an intention to review the Council's corporate complaints procedure, following a similar review of the Council's procedure for complaints made in respect of the Council's role as landlord (the Housing Complaints Procedure). Council Housing complaints generally fell within the scope of the Housing Ombudsman and not the LGSCO. However, this was not always the case (and this was relevant when looking at the summaries of cases referenced in the 'Background' section of this report). The LGSCO had recently adopted a new Complaint Handling Code and this broadly mirrored the Code used by the Housing Ombudsman. The Council's complaints procedure would be reviewed having had regard to the LGSCO's Complaint Handling Code and there might be a consequential need to review the Council's Housing Complaints Procedure too. This point had been approved by Cabinet at its meeting held on 24 May 2024 (Minute 12 referred).

In addition to the straight forward reporting of the numbers and outcomes of complaints to the Ombudsman, their Annual Letter to the Council for 2023/24 had included the following statement as to the timeliness of responses to its enquiries:-

"During the year, we made enquiries of your Council in five complaints. In four cases the responses were late. Concerningly, in one case we were required to remind the Council

of our power to issue a witness summons before we received the information we had requested.

I ask that you take action to improve the timeliness of responses to our enquiries. It is important we are provided with the information we have asked for promptly, and that, where you encounter delays, you keep us informed. If there is any support my office can provide to help improve the situation, please do let me know."

This issue of timeliness of responses was a matter that had been referenced by the Chief Executive to all Members of Management Team with a view to resolving the issues referenced above.

It was noted that overall numbers of upheld complaints referred to the Ombudsman about this Council's delivery of services remained relatively low. Some pointers from those complaints for Officers were:-

- *Be aware of reasonable timeframes for delivering services and find solutions to achieve these.*
- *If opportunities to review service delivery present themselves we should take them.*
- *Where we have a policy we should follow it.*
- *Keep records of decisions taken.*
- *Be thorough, whether that is matching payments to applications or considering all the various threads of a service requests.*
- *Do not stray from an impartial consideration of the matter you are dealing with.*
- *When there is a complaint, make sure we keep to timescales for responding, update the complainant if delays are likely and respond to all points raised.*

From the above upheld complaints by the Ombudsman since 2020/21, a summary of the service areas involved, reporting of the findings and of the cases was set out in the aforementioned 'Background' section of the Assistant Director (Governance)'s report (A.2).

The Assistant Director (Governance) & Monitoring Officer responded to Members' questions on her report.

After discussion it was moved by Councillor Sudra, seconded by Councillor Fairley and unanimously:-

RESOLVED that –

- (a) the Committee notes the report and approves a practice whereby Annual Letters from the Local Government and Social Care Ombudsman (LGSCO) are submitted to the Audit Committee for consideration in the future as part of its role in assessing external regulatory reports and monitoring any quality improvement programmes where required, with comments to be provided to Cabinet as appropriate; and
- (b) Cabinet be informed that the following matters highlighted from this Committee will be considered as part of the Officers' review of the Council's Complaints Procedure which will also have regard to the LGSCO's Complaint Handling Code:-
 - (1) the timeliness (or otherwise) of the Council's responses to the LGSCO's enquiries; and

- (2) the Committee's desire to have a standing item on the agenda for each of its formal meetings in relation to Complaints and that the designated Member with responsibility for Housing Complaints (currently the Portfolio Holder for Housing and Planning) and the Portfolio Holder for Corporate Finance and Governance be required to attend as appropriate.

47. REPORT OF THE ASSISTANT DIRECTOR OF FINANCE & IT - A.3 - TABLE OF OUTSTANDING ISSUES

The Committee had before it a report (A.3) that reported progress on the outstanding actions identified by the Committee along with general updates on other issues that fell within the responsibilities of the Committee.

Table of Outstanding Issues

It was reported that the Table of Outstanding Issues had been reviewed and updated since it had been last considered by the Committee in July 2024.

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

- 1) Updates against general items raised by the Committee – Appendix A; and
- 2) Updates against the 2023/24 Annual Governance Statement Action Plan – Appendix B

In terms of item 1) above, there were no significant issues to raise, with actions remaining in progress or further details provided within the report.

The Committee was informed that, in respect of the 2023/24 Annual Governance Statement Action Plan, although this remained subject to the Committee's final approval later in the year once the work of the External Auditor was completed, for timely and practical reasons the version currently published at the end of May 2024 alongside the Unaudited Statement of Accounts presented the most up to date position for the Committee's consideration. This approach enabled the actions and associated updates to be considered as early as possible within the Committee's annual work programme. Appendix B therefore included outstanding items from last year's Annual Governance Statement alongside new items for the current year. There were no significant issues to highlight at the present time with actions and activities remaining on-going.

The Corporate Director (Operations and Delivery) gave a short oral update on the Governance Principle/Issue "*Determining the interventions necessary to optimise the achievement of the intended outcomes (Housing Review)*" and responded to a Member's question thereon.

Appointment of Independent Person(s) to the Audit Committee

The Committee recalled that, at its last meeting, it had endorsed the appointment of at least two Independent Persons to the Audit Committee and it had requested that Officers reviewed the associated arrangements and presented a plan to the next meeting of the Committee.

The necessary review had been undertaken with a proposed action plan and timetable presented within the 'Background' section of the report (A.3).

Continuing External Audit delays and an update on the External Auditor's work on the Council's Statement of Accounts 2020/21 – 2022/23

Members were advised that the outcomes from the Government's consultation exercise were being reviewed as they had only recently been published. However, the Government had stated that they intended to continue with the proposed statutory backstop approach, albeit with slightly amended dates as follows:-

For accounts up to and including 2022/23 – 13 December 2024

For the 2023/24 accounts – 28 February 2025

For the 2024/25 accounts – 27 February 2026

For the 2025/26 accounts – 31 January 2027

For the 2026/27 accounts – 30 November 2027

For the 2027/28 accounts – 30 November 2028

The Government had confirmed that they had laid in Parliament the necessary Regulations as well as a new Code of Audit Practice, which would give effect to their proposals. Any further updates would be provided to the Committee, either at their next meeting or separately within the interim period as necessary.

Members noted that Cabinet, at its meeting held on 20 September 2024, had decided that an external funding policy should be developed for approval by the Leader of the Council that would, in turn, be presented to a future meeting of the Audit Committee to seek its support and assurance on the associated governance processes. It was proposed that this item be included within the Committee's future work programme.

Emma Larcombe, representing KPMG the Council's External Auditors, attended the meeting. Councillor Platt referred to the revised statutory backdrop dates and pondered on how much confidence Councils could have in them. He also asked if KPMG were willing to pick up BDO's uncompleted audit work. Emma Larcombe responded along the following lines:-

- *the Government's proposals bring forward slightly the date for the 2023/24 accounts from May to the end of February 2025 and those would need to be signed off by KPMG;*
- *prior years' outstanding audits had until mid-December 2024 to be signed off or – 'disclaimed';*
- *communications had been held with BDO regarding a hand-over and her understanding was that BDO was expecting to make a disclaimer on the previous years' outstanding accounts;*
- *for the 2023/24 accounts, KPMG were a good way through their audit. Vast majority of the planning work had been completed and most of the year end work would be completed in the coming weeks;*
- *on the 2023/24 'closing position' her perspective was that KPMG would be a good way through that by the end of the year;*
- *still need some clarification on the 'opening balance' position and are awaiting some guidance from the National Audit Office as to what the work on that aspect will consist of;*

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- *TDC should expect a modification to the audit opinion for 2023/24 in relation to the opening balance position and over time (next three years) that will be built up. This would be a consistent position across the audit sector nationally for all Opinions where there have been 'disclaimed' accounts;*
 - *will work towards reducing the number of years with disclaimed 'opening balances' as much as possible so as much work that BDO can get done the better;*
 - *on the Value for Money (VFM) requirement, BDO will give an Opinion on all the Accounts for which they have been appointed for. KPMG will do likewise and a great deal of work had already been done on this for the 2023/24 accounts;*
 - *should therefore be in a position to bring the initial risk assessment on the VFM to the next meeting of the Committee.*

Corporate Risk Update

The Committee was aware that its Chairman had deferred this matter to the next meeting of the Committee. The delay was due to Officers' capacity and work commitments across other parts of the organisation. Although there were no major issues at the current time, it was highlighted that there had been an increase in the number of complaints being received regarding alleged breaches of the Members' Code of Conduct at Town and Parish Council level. The District Council's Monitoring Officer with support of the Executive Projects Manager – Governance, were under an obligation to deal with complaints in accordance with the Standards Framework, which was having an impact on capacity and resources internally. A number of Town and Parish Council Members' Code of Conduct training sessions had been delivered and were organised for the near future, which although delivered free of charge, the aim was to improve awareness of expected behaviours and ultimately to prevent unnecessary complaints being received. This issue would also be reported to the Standards Committee at its meeting during October 2024, as part of its Terms of Reference and oversight remit.

Members' attention was also drawn to the following matters:-

- *The recent replacement of the wireless access points across the Council's estate along with an increase in the frequency of immutable backups, both of which increased the Council's digital and data resilience.*
- *The Government had recently announced a number of additional flexibilities relating to Right to Buy receipts. This was currently being reviewed but it was expected to support the increase in Council homes.*
- *At its meeting on 30 July 2024, the Human Resources and Council Tax Committee had agreed a revised Market Forces Policy and People Strategy, both of which supported a number of positive actions relating to the recruitment and retention of staff.*
- *Work remained ongoing to develop the long term forecast with the next update planned to be presented to Cabinet in October 2024 and which was planned to include the first iteration of the Council's Saving Plan.*
- *Following the recent Government announcement relating to their intention to increase the supply of housing nationally, the impact on the Council's Local Plan remained under review.*

After discussion it was moved by Councillor Sudra, seconded by Councillor Platt and unanimously:-

RESOLVED that -

- a) the progress against the actions set out in Appendices A and B to the report (A.3) be noted;
- b) in respect of the appointment of an Independent Person(s) to the Audit Committee, the Committee:-
 - i) notes and agrees the actions set out in this report;
 - ii) requests Officers to finalise a draft role / person specification and to make the necessary arrangements to consult with members of the Audit Committee as highlighted in the plan; and
 - iii) that the outcome of the above be presented to the meeting of the Committee due to be held in January 2025.
- c) The Governance Principle/Issue “*Determining the interventions necessary to optimise the achievement of the intended outcomes (Housing Review)*” be added to the Committee’s Work Programme.

The meeting was declared closed at 11.44 am

Chairman