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Audit Committee

27 May 2021

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,  
HELD ON THURSDAY, 27TH MAY, 2021 AT 10.30 AM  
IN THE PRINCES THEATRE, TOWN HALL, STATION ROAD, CLACTON-ON-SEA,  
CO15 1SE**

<b>Present:</b>	Councillors Coley (Chairman), Alexander (Vice-Chairman), Fairley, King and Placey
<b>In Attendance:</b>	Richard Barrett (Assistant Director (Finance and IT) & Section 151 Officer), Ian Taylor (Head of Public Realm)(except items 5 - 7), Craig Clawson (Internal Audit Manager), Ian Ford (Committee Services Manager), Karen Townshend (Executive Projects Manager (Governance)), Clare Lewis (Fraud and Risk Manager), Kai Aberdeen (Theatre General Manager (Technical)) and Matt Cattermole (Communications Assistant)

**1. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies for absence were submitted on behalf of Councillor Miles (with no substitute).

**2. MINUTES OF THE LAST MEETING**

It was moved by Councillor Alexander, seconded by Councillor Placey and:-

**RESOLVED** that the Minutes of the last meeting of the Committee held on Thursday 22 April 2021 be approved as a correct record.

Further to Minute 33 (22.4.21) the Council's Head of Public Realm (Ian Taylor) attended the meeting and updated the Committee on the progress made in relation to the audit actions that had been required following the 'Improvement Required' outcome of the Fleet Management Audit. He then responded to Members' questions thereon.

**3. DECLARATIONS OF INTEREST**

There were no declarations of interest made on this occasion.

**4. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38**

There were no Questions on Notice on this occasion.

**5. REPORT OF ASSISTANT DIRECTOR (FINANCE & IT) - A.1 - EXTERNAL AUDITOR'S AUDIT PLANNING REPORT FOR THE YEAR ENDED 31 MARCH 2021**

The Committee had before it a report submitted by the Council's Assistant Director (Finance & IT) (report A.1) which presented for consideration and agreement the External Auditor's Audit Planning Report for the year ended 31 March 2021.

It was reported that the plan was set against a risk based approach in order to provide a focus on areas of the financial statements where the risk of material misstatement was

higher or where there was a risk that the organisation had not made proper arrangements for securing value for money in its use of resources.

Members' attention was drawn to the new approach to the use of resources assessment following a change in the associated code and guidance. The outcome from the work of the External Auditor was now moving to a commentary on the Council's value for money arrangements rather than a conclusion or opinion.

The commentary would cover the following 3 headings:

**A) Financial Sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services, including:**

- 1) how the Council ensured that it identified all the significant financial pressures that were relevant to its short and medium-term plans and buildt these into them;
- 2) how the Council planned to bridge its funding gaps and identify achievable savings;
- 3) how the Council planned finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- 4) how the Council ensured that its financial plan was consistent with other plans such as workforce, capital, investment, and other operational planning which might include working with other local public bodies as part of a wider system; and
- 5) how the Council identified and managed risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

**B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including:**

- 1) how the Council monitored and assessed risk and how it gained assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- 2) how the Council approached and carried out its annual budget setting process;
- 3) how the Council ensured effective processes and systems were in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supported its statutory financial reporting requirements; and ensured corrective action was taken where needed;
- 4) how the Council ensured it made properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This included arrangements for effective challenge from those charged with governance such as the audit committee; and
- 5) how the Council monitored and ensured appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

**C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:**

- 1) how financial and performance information had been used to assess performance to identify areas for improvement;
- 2) how the Council evaluated the services it provided to assess performance and identify areas for improvement;

- 3) how the Council ensured it delivers its role within significant partnerships, engaged with stakeholders it had identified, monitored performance against expectations, and ensured action was taken where necessary to improve; and
- 4) where the body commissioned or procured services, how the body ensured that this was done in accordance with relevant legislation, professional standards and internal policies, and how the body assessed whether it was realising the expected benefits.

The Committee was informed that, given the broad areas of governance that the new use of resources assessment would cover, there was, unsurprisingly, a large overlap with the existing Annual Governance Statement activities, where many of the aforementioned issues were already being addressed or were planned to be addressed or strengthened. Although the Council was therefore in a strong position to respond to the new assessment, it was proposed that the outcomes from the work of the External Auditor would be brought together and monitored via the existing Annual Governance Statement processes going forward. The outcome of the External Auditor's work would be set out in the Auditor's Annual Report that would be presented to the Audit Committee later in the year.

Members were made aware that the External Auditor's planned 'base' fee totalled £45,205 (excluding certification of claims and returns), which could be met from within existing budgets. However, additional work would be required in order to respond to the new use of resources reporting requirements. That additional cost would be considered within the quarterly financial performance reports during the year as an on-going cost pressure.

The Committee noted that no allowance had been made within the overall fee for additional work that might be required such as that associated with additional requirements placed on the Council or unforeseen circumstances, which would be the subject of further reports when necessary.

Having fully considered and discussed the External Auditor's proposed Audit Planning Report for the year ended 31 March 2021:-

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

**RESOLVED** that the External Auditor's Audit Planning Report for the year ended 31 March 2021 be approved.

6. **REPORT OF ASSISTANT DIRECTOR (FINANCE & IT) - A.2 - CORPORATE RISK UPDATE**

The Committee had before it a report submitted by the Assistant Director (Finance & IT) (report A.2) which presented it with the updated Corporate Risk Register.

Members were informed that the risk register had been updated within the context of the usual and underlying risks that were included in the register. However, it was recognised that the unprecedented events experienced in the last year in respect of the COVID 19 pandemic would have a major on-going impact on the Council and would likely cut across many of the risks currently included within the register.

The Committee was advised that given the on-going and 'live' nature of the current COVID pandemic, it continued to be difficult to fully revise the register at this point in time to reflect what was deemed to be the 'new normal'. However, the Council continued to review the underlying risks associated with COVID 19 across all of its services, ensuring that it could continue to effectively maintain, operate and deliver its operations and services. Timely and effective responses had been made in key risk areas, such as IT and network resilience, communication and management of information, cyber security, anti-fraud and corruption, health and safety along with business continuity / ability to effectively deliver services.

It was reported that Council Services would continue to reopen in the coming months and any associated risk relating to this would be carried out in a COVID secure way in order to ensure staff and customer safety. A review of lessons learnt relating to COVID 19 was currently being undertaken and would be brought before the Audit Committee at a later meeting.

The below table set out all amendments to the Risk Register since it had been last considered by the Committee in October 2020:-

Risk Register Item	Amendments / Comments
New Risks Identified	None
Risks Removed	None
Risk Scores Amended	None
Risk under review	None
Risks Amended	<p>The following items had subject to minor amendments within the 'current action status / control strategy' sections to reflect the most up-to-date position.</p> <p>Item 1b - Catastrophic IT network failure</p> <p>Item 1c - Ineffective communication / management of information</p> <p>Item 1d - Ineffective Cyber Security Physical and Application (software) Based Protection Management</p> <p>Item 2a - Coastal Defence</p> <p>Item 2c - Building Council Homes</p> <p>Item 2d - Ineffective delivery of Transforming Tending project</p>

	<p>Item 2f - Garden Communities</p> <p>Item 3d - Fraud and Corruption.</p> <p>Item 4a - Loss of Key Staff</p> <p>Item 6a – Loss of sensitive and/or personal data through malicious actions loss theft and/or hacking</p> <p>Item 7a - Local Plan</p> <p>Item 8a – Failure to collect levels of income required from Council Tax</p> <p>Item 8b - Failure to collect levels of income required from Non Domestic Rates</p> <p>Item 9a - Ineffective Emergency Planning</p> <p>Item 9b – Ineffective Business Continuity Planning</p>
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The Committee was informed that the Fraud and Risk Team continued to oversee the Council's Risk Management arrangements supported by the Council's Internal Audit Team. The table below set out the work that was currently being undertaken:-

Agreed Action	Current Position
<i>Management Team to promote the importance of operational risk management within the organisation and ensure that Senior Managers implement a process for identifying and mitigating risks in coordination with the corporate Fraud and Risk Manager.</i>	The corporate Fraud and Risk Manager continued to attend Management Team meetings on a quarterly basis and provided monthly updates for any urgent matters identified. The Fraud and Risk Manager continued to work with Management Team to effectively promote the importance of operational risk management within the Council.
<i>One to one meetings will continue to take place between Senior Managers and the Corporate Fraud and Risk Manager to identify and record key operational risks within their service areas. Support to be provided by Internal Audit if required.</i>	This unfortunately had been delayed due to the corporate Fraud and Risk Manager being redeployed to other tasks during the past 12 months. This review would continue into 2021.
Follow Up Action	Current Position
<i>Arrange Risk Management training for all departments across the Council</i>	The Council had identified a need for Managers to have some Risk Management training to ensure the Council could move forward with verifying risk register actions and

	review departmental risks across all departments. This would also allow the Fraud and Risk Manager to review the Council's Risk Management Framework.
<i>Review carried out relating to the effectiveness of the current control measures in place to identify inherent risk.</i>	Details of this review would be brought before the Audit Committee in due course.

Having considered and discussed the contents of the report and its appendices:-

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

**RESOLVED** that the updates provided to the current Corporate Risk Register be noted.

## 7. **ADDITIONAL MATTERS**

### Redmond Review

Further to Minute 35 (22.4.21) and in response to a question asked by the Chairman (Councillor Coley), the Assistant Director (Finance & IT) (Richard Barrett) gave an update to Members on the Government's latest response to the recommendations contained within the Redmond Review. He also undertook to circulate the details of that response by email to the members of the Committee.

### Members' Training Opportunity on Statement of Accounts

In response to a question asked by the Chairman (Councillor Coley), the Assistant Director (Finance & IT) (Richard Barrett) undertook to liaise with the Head of Democratic Services & Elections (Keith Simmons) in relation to the arrangements and practicalities around the provision of an in-house or online training opportunity for the members of the Committee on the Statement of Accounts.

The meeting was declared closed at 11.05 am

**Chairman**