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Audit Committee

30 September 2021

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**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,  
HELD ON THURSDAY, 30TH SEPTEMBER, 2021 AT 10.30 AM  
IN THE COUNCIL CHAMBER, AT THE COUNCIL OFFICES, THORPE ROAD,  
WEELEY, CO16 9AJ**

<b>Present:</b>	Councillors Coley (Chairman), Alexander (Vice-Chairman), Fairley, King (except items 14 - 18 (part)), Placey and Steady
<b>In Attendance:</b>	Richard Barrett (Assistant Director (Finance and IT) & Section 151 Officer), Craig Clawson (Internal Audit Manager), Ian Ford (Committee Services Manager), Karen Townshend (Executive Projects Manager (Governance)), Clare Lewis (Fraud and Risk Manager) and Matt Cattermole (Communications Assistant)

**14. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

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

**15. MINUTES OF THE LAST MEETING**

The Minutes of the last meeting of the Committee held on Thursday 29 July 2021 were approved as a correct record and signed by the Chairman.

**16. DECLARATIONS OF INTEREST**

There were no declarations of interest made on this occasion.

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

There were no Questions on Notice on this occasion.

**18. REPORT OF THE INTERNAL AUDIT MANAGER - A.1 - PROGRESS REPORT ON INTERNAL AUDIT: JULY - AUGUST 2021 AND APPROVAL OF INTERNAL AUDIT CHARTER**

The Committee had before it a report submitted by the Council's Internal Audit Manager (A.1) which provided it with a periodic update on the Internal Audit function for the period July to August 2021 and enabled it to review the Internal Audit Charter for approval as required by the professional standards.

The Committee was also informed how Internal Audit continued to provide advice on the office transformation programme, the digital transformation programme and project management on a consultative basis.

**Outcomes of Internal Audit Work**

Members were aware that the Public Sector Internal Audit Standards (PSIAS) required the Internal Audit Manager to report to the Audit Committee on significant risk exposures and control issues. Since the last report four audits had been completed and the final report issued.

Assurance	Colour*	Number this Period	Total for 2019/20 Plan	
Substantial		2	2	
Adequate		1	1	
Improvement Required		1	1	
Significant Improvement Required		0	0	
No Opinion		0	0	

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

There had been no significant issues identified within the audits completed during the reporting period.

#### Management Response to Internal Audit Findings

The Committee was reminded 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	0	
Overdue less than 3 months	0	
Not yet due	2	

#### Update on previous significant issues reported

##### *Fleet Management Policy*

The Committee was informed that the Fleet Management Policy had been put forward to the Human Resources & Council Tax Committee in July 2021 for its approval. However, the Committee had requested some additional changes to be made to the policy and to be brought back to the next meeting of the Committee in October 2021.

Members were also advised that the Acting Transport Manager had now sat his final exam and that the results were expected at the end of October 2021.

##### *Planning Enforcement Policy*

The Committee was made aware that the Policy had now been reviewed by the Legal Services Team and was now back with the Planning Enforcement Team for its further review and consultation before it could then be considered for formal adoption.

In respect of the above, the Assistant Director (Finance & IT) undertook to provide members of the Committee with an update in relation to:-

- (i) the contingencies in place and options available should the Acting Transport Manager fail the exam; and
- (ii) the expected time scale for the Planning Enforcement Team's completion of its further review of the Planning Enforcement Policy.

### **Internal Audit Charter**

The Committee recalled that it was a requirement of the PSIAS for the Audit Committee to review and approve the Internal Audit Charter on an annual basis. The Charter had been last updated and approved in September 2019, as due to the Covid-19 pandemic and the focus of Officers being needed elsewhere the Charter had not been reviewed and approved in 2020. However, there had been no changes to standards or processes at that time and therefore no amendments would have been required anyway.

Members were advised that this was still the case and that the Audit Committee and Internal Audit Team continued to comply with the obligations and responsibilities set out within the charter. The current charter was included as Appendix B to item A.1 of the Report of the Internal Audit Manager.

Following a discussion and a review of the contents of the Internal Audit Charter it was:-

**RESOLVED** that –

- (a) the contents of the report be noted; and
- (b) the Internal Audit Charter be approved, subject to the inclusion within Section 9 of an appropriately worded reference to the fact that, under the Constitution, the members of the Audit Committee are required to undergo specific training in regards to the determination of the Council's Statement of Accounts and the comprehension of Auditor reports.

### **19. 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.

It was reported that, although no changes had been identified as being required at this time, the corporate risk framework had been included at Appendix A to the report for Members' reference. A review of the framework was due to take place later in 2021/22.

The Committee was advised that, although COVID related matters continued to affect the whole organisation, they were not reflected in the risk register itself, in order that sight was not lost of the risk register's purpose.

Members were made aware that a review of lessons learnt relating to COVID 19 had now been included in the Internal Audit Plan for 2021/22 and would be brought before the Audit Committee at a later meeting.

The Committee was reminded that Council services had now reopened and that the Council continued to ensure staff remained safe whilst carrying out their day-to-day duties.

The below table set out all amendments to the Risk Register since it had been last considered by the Committee in May 2021:-

Risk Register Item	Amendments / Comments
New Risks Identified	None
Risks Removed	None
Risk Scores Amended	None
Risk under review	None
Risks Amended	<p><b>Item 1b - Catastrophic IT network failure</b> – change to main text relating to remote working.</p> <p><b>Item 1d - Ineffective Cyber Security Physical and Application (software) Based Protection Management</b> - update on main text relating to current status of cyber security</p> <p><b>Item 2d - Ineffective delivery of Transforming Tending project</b> – update on the completion of works.</p>

Although not currently included within the risk register, Officers had highlighted the following two potential emerging issues:-

- Shortage of Global Supplies** – due to various reasons (including the on-going impact of COVID 19) the risk of key supplies not being available when required had increased - one example being the shortage of computer processing chips. This was currently being managed via earlier procurement planning and remaining alert to market conditions. *(Links to existing Corporate Risk associated with Failure to Deliver Key Services and Ineffective Business Continuity Planning)*
- Failure to Deliver Key Contracts** – as part of delivering key services to residents, where appropriate, the Council would engage with external providers

on a commercial basis e.g. Essex County Council's Careline Contract. As recognised during the associated decision making processes, there were significant financial and reputational risks associated with this approach. **(Links to existing Corporate Risk associated with Ineffective Workforce Management and Planning)**

The Committee was informed that the above two items would be kept under review and would be revisited / reported back to Members as part of the next corporate risk register update that was scheduled to be submitted to the Committee in March 2022.

Members were reminded that the Fraud and Risk Team continued to oversee the Council's Risk Management 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 Fraud and Risk Manager continued to work with Management Team to effectively promote the importance of operational risk management within the Council, and continued to attend Management Team meetings on a quarterly basis and provided monthly updates for any urgent matters identified.
<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 had unfortunately been delayed due to the Corporate Fraud and Risk Manager being redeployed to other tasks during the past 12 months. Those one to one meetings would commence again in October 2021 and would be completed by March 2022.

#### **Follow up item**

<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. Training would be carried out by the Fraud and Risk Manager in October 2021, with a view to rolling this out further if the training was thought to be appropriate.
<i>Review carried out relating to the effectiveness of the current control</i>	This review was still ongoing and a report would be brought before the Audit

<i>measures in place to identify inherent risk.</i>	Committee at a later meeting.
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Having considered and discussed the contents of the report and its appendices:-

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

**20. REPORT OF THE ASSISTANT DIRECTOR (FINANCE & IT) - A.3 - AUDIT COMMITTEE: TABLE OF OUTSTANDING ISSUES**

The Committee had before it a report submitted by the Assistant Director (Finance & IT) (A.3) which presented to the Committee the progress on outstanding actions identified by the Committee, together with updates on other general issues that fell within the responsibilities of the Committee.

Members were aware that a Table of Outstanding Issues was maintained and reported to each meeting of the Committee. That approach enabled the Committee to effectively monitor progress on issues and items that formed part of its governance responsibilities.

Updates were set out against general items, external audit recommendations and the Annual Governance statement within Appendices A, B, and C respectively to the Officer report.

The Committee was informed that to date there were no significant issues arising from the above, with work remaining in progress or updates provided elsewhere on the agenda where appropriate.

There were currently 3 main elements to this report as follows:-

- 1) Appendix A – Provided updates against general items raised by the Committee;
- 2) Appendix B - Provided updates against recommendations made by the Council's External Auditor; and
- 3) Appendix C – Provided updates against the 2020/21 Annual Governance Statement Action Plan.

In terms of elements 1) and 2) above, the Committee was informed that there were no significant issues to raise, with actions remaining in progress. In terms of element 3), there continued to be a significant impact from COVID 19 in terms of progressing the actions as quickly as originally anticipated. However, activity remained in progress against all actions and work would continue during 2021/22, as required.

Members were advised that an External Audit Recommendation was set out in Appendix B in relation to the level of carry forwards from prior years. In previous updates to the Committee, it had been highlighted that a review of a range of funded projects had been undertaken in consultation with the relevant departments and that the sourcing of providing support across a number of areas was being investigated. Although this work remained on-going, the latest position was reported set out below:

Following the initial review by Corporate Directors / Assistant Directors highlighted above, the additional capacity that had been identified as being required primarily centred around:-

- Procurement;
- Maximising External Funding Opportunities / Bid Writing; and
- General Project Management.

In terms of procurement, as set out in a report considered by Cabinet on 17 September 2021, it was proposed to work in partnership with Essex County Council, which would allow the Council to not only access additional capacity but also specialist procurement advice / knowledge.

In terms of the other two items above, a report to the Portfolio Holder for Finance and Corporate Governance was currently being prepared to progress the required capacity building activities.

#### Other issues

It was reported that the Statement of Accounts 2020/21 had been published and was currently subject to review by the Council's External Auditor. Although it was required to be audited and republished by the end of September 2021, it remained subject to the conclusion of the work of the External Auditor. With this in mind, it was currently expected that a special meeting of the Committee would be required in either October or November to consider the Statement of Accounts and the associated report of the External Auditor once they had concluded their necessary audit work.

#### Redmond Review

The Committee recalled that, at its meeting held in February 2021, it had considered the Government's initial responses to the Redmond review into the effectiveness of external audit. Those responses had again been considered at the Committee's meeting in April 2021. As mentioned in April, many of the Government's responses indicated that they would either be liaising with the relevant stakeholders or would be considering some recommendations further.

Members were made aware that the latest position was that the Department for Levelling Up, Housing and Communities (formerly MHCLG) were undertaking a technical consultation on a broad range of implementation proposals, along with responding to an earlier consultation on the appropriate methodology for distributing £15m to support effected local bodies, as well as changes to the appointing persons and fee setting regulations that aimed to provide the PSAA with additional flexibilities.

The broad range of implementation proposals included:

- a new system leader for the local audit framework;
- proposals to strengthen audit committee arrangements within councils;
- measures to address ongoing capacity issues on the pipeline of local auditors; and
- action to further consider local audit functions for smaller bodies.

Unfortunately the Government's consultation deadline of 22 September 2021 had not enabled this Council's proposed responses to be presented to the Committee before they had been submitted. However, the Council's responses had been prepared by Officers in consultation with the Chairman of the Committee and had broadly reflected the view that value for money should be at the heart of any changes proposed but balanced against strong and transparent governance where required.

It was also important to highlight that future guidance emerging from the review should not be based on the benchmark of poor performing Councils where there might be a different solution in response to any perceived weaknesses. This Council had a robust and strong approach to governance arrangements, supported by Senior / Statutory Officers along with working closely with its External Auditors, which would continue as part of any changes required as part of the Redmond review.

In respect of the distribution methodology for the £15m made available by the Government to primarily support the anticipated rise in audit fees, it was reported that this would be based each body's scale fee as a proportion of the total fee scale that each body currently payed as part of the current External Audit contracts. The Government had also highlighted that whilst it understood that individual circumstances could vary, it was important that the methodology pursued followed a simple process which allowed for efficient payment to local bodies. The actual financial impact compared with the funding receivable under those new arrangements would be considered as part of this Council's future detailed budget setting and financial forecast processes.

In respect of the PSAA fee setting regulations, it was reported that the Government had committed to consult on proposals to provide the appointing person with greater flexibility to ensure the costs to audit firms of additional work were met and to reduce the need for time consuming case by case consideration of fee variation requests. The majority of respondents to the associated consultation conducted earlier in the year had agreed with the Government's proposals which were summarised as follows:-

- extend the regulatory deadline by which scale fees needed to be set to enable the appointing person to take into account more up-to-date information;
- enable the appointing person to consult and agree standardised fee variations to be applied to all or certain groups of principal bodies;
- provide clarification on enabling some fee variations for additional elements of work to be approved during the audit; and
- expressly to enable the appointing person to appoint auditors for the period that it considered to be the most appropriate, up to the maximum length of the appointing period subject to consultation with the relevant bodies.

It was felt that the above proposals built on the success of the PSAA regime and provided practical flexibilities and interventions to strengthen the stability of the local audit market and address some of the factors that could result in issues with timeliness. Members were informed that as the Redmond Review actions continued to progress, further updates would be presented to them as deemed necessary.

After discussion it was:-

**RESOLVED** that the Committee notes the progress against the actions set out in Appendices A to C to item A.3 of the Report of the Assistant Director (Finance & IT).

The meeting was declared closed at 11.30 am

**Chairman**