

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,
HELD ON MONDAY, 25TH APRIL, 2022 AT 10.30 AM
IN THE COMMITTEE ROOM - TOWN HALL, STATION ROAD, CLACTON-ON-SEA,
CO15 1SE**

Present:	Councillors Coley (Chairman), Alexander (Vice-Chairman), Fairley and Miles
In Attendance:	Richard Barrett (Assistant Director (Finance and IT) & Section 151 Officer), Keith Simmons (Head of Democratic Services and Elections), Mark Westall (Head of Customer and Commercial Services), Craig Clawson (Internal Audit Manager), Karen Townshend (Executive Projects Manager (Governance)) and Matt Cattermole (Communications Assistant)

[Note: Aphrodite Lefevre of BDO LLP (the Council's External Auditors) was able to contribute to the meeting remotely through the use of the Microsoft Teams platform]

38. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillors King, Placey and Steady. No substitutes were appointed.

39. MINUTES OF THE LAST MEETING

The Minutes of the last meeting of the Committee held on Thursday 31 March 2022 were approved as a correct record and signed by the Chairman.

In response to a question from the Chairman, the meeting was advised that the recruitment to the new full-time Audit Technician post was progressing through the internal approval process (Minute 31 of 31 March 2022 refers). It would then be advertised. The Committee's attention was also drawn to the information provided to the Committee by BDO LLP, the Council's External Auditors, on the progress with the audit of the Council's accounts for 2020/21 (Minute 34 of 31 March 2022 refers). This information was set out in an addendum to the report of the Assistant Director (Finance & IT) considered at Minute 44 below.

40. DECLARATIONS OF INTEREST

There were no declarations of interest made on this occasion.

41. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38

There were no Questions on Notice on this occasion.

42. REPORT OF THE INTERNAL AUDIT MANAGER - A.1 - REPORT ON INTERNAL AUDIT: JANUARY TO MARCH 2022

The Committee had before it a report of the Internal Audit Manager (A.1) which provided it with a periodic report on the Internal Audit function for the period January 2022 to March 2022 together with the outcome of an annual self-assessment of the Internal

Audit Team that had been conducted by the Principal Auditor against the Public Sector Internal Audit Standards (PSIAS).

Internal Audit Plan Progress 2021/22

It was reported that a total of six audits had been completed since the previous update to the Committee in January 2022 with fieldwork was ongoing on another six audits. Five of the six audits completed had received a satisfactory level of assurance. One audit (Careline) had received an overall opinion of 'Improvement Required' and details were provided as follows:-

Strategic Direction of Careline

Issue identified:

"In 2021, Careline won the contract to provide local Careline out of hours' coverage for Essex County Council (managed by Provide), using its established team and building on work already undertaken for them.

During the audit, it became apparent that the service had struggled to provide the expanded contractual service required and had consistently underperformed call response times, with the major contributing factors being the availability of trained officers and increasing volume of calls."

Risk:

"If the contract was exited without due attention to detail and evaluating all options, there was considerable financial and reputational risk to the Council which could affect budget performance and the future effectiveness and integrity of the Careline service."

Agreed action:

"Following the cessation of the contract, it would be timely to review the strategic direction of the service, especially considering the operational and staffing issues and difficulties of fulfilling larger contracts.

For the short term, the service will concentrate on exiting the Provide contract in a professional manner, including continuing liaison meetings and ensuring all data and GDPR obligations are carried out as required.

Subsequently, the service will be reviewed and future strategic direction decided. Current options include a pivot to organic growth from private users, smaller contracts and continuing to work with Provide in other capacities. There are also other options to explore, including integration of some healthcare services.

Any options or direction chosen should be undertaken in consultation with, senior management, the Portfolio Holder and the appropriate committee."

Management of Careline Debtors

Issue identified:

“Service users should pay on a monthly basis, using a direct debit mandate. Where funds were unable to be taken, the Council's debtor's procedure was initiated and a series of up to three letters were sent until payment was made.

Should no payment be received, then the debt was returned to the department for further decision and action.

Currently, there was only a very ad hoc process in place and no scheduled monthly action. A spreadsheet was maintained and updates added by the Officer managing the debt. The spreadsheet showed that several months could elapse between contacts with the debtor, and follow up was not always prompt.

This had led to a build-up of debt, some quite long term.”

Risk:

“Without managing debtors, there was risk of payments not being collected at the due time, or at all, which had an adverse financial and resource impact.

If long term debtors were not managed, it could lead to the position of unfairly allowing some users to continue to use the service for no charge, while the majority continued to pay.

Agreed action:

“Outstanding debts are to be reviewed and actions taken to progress a resolution and substantially reduce the outstanding amount.

Options may include write off, further chasing or review supply of service in the event of longer term non-payment. In the latter, there needs to be a formal process developed where especially vulnerable users are concerned.

In addition, a new process involving a responsible officer will be introduced to monitor and manage ongoing outstanding debtors on a consistent regular basis, once the Corporate Debtors Policy process of automated debt management letters has been exhausted and the debt returned to the department.”

The Committee was informed that the service had developed a Careline Recovery Plan (as detailed in Appendix B to the report) which incorporated the actions highlighted above as well as more operational actions identified during the audit. The recovery plan had been reviewed and approved by Senior Management and was ready to be progressed and implemented.

Progress on all audits in the 2021/22 Internal Audit Plan was evidenced in Appendix A to the report and the Internal Audit Manager was confident that sufficient work would be completed prior to providing the Head of Internal Audit's Annual Opinion in June 2022.

Members were made aware that the Internal Audit Team currently had audits on Depot Operations and Depot Waste Management in the audit plan. Initially, when the audit plan was initially drawn up Officers had been unsure of the level of work needed for both of those reviews which was why two separate audits had been set up. After initial discussions it was now felt that those two audits could be merged and reported under

the one title of Depot Operations as the areas were linked and it would save time with regards to Officer meetings and reporting arrangements.

The Committee was informed that during this time the Internal Audit Team was also planning and scoping audits within the 2022/23 Internal Audit Plan for the coming financial year.

Quality Assurance

The Committee was aware that the Internal Audit function issued satisfaction surveys for each audit completed. In the period under review 100% of the responses received had indicated that the auditee was satisfied with the audit work undertaken.

Resourcing

Members were advised that the IAT had opted out of the 30 day consultation period required when a restructure took place. This would allow the Team to begin the recruitment process for the vacant Audit Technician post in the coming weeks.

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	1	Planning Enforcement Policy – This had now been added to the table of outstanding actions since the last update from the Acting Director (Planning).
Overdue less than 3 months	0	
Not yet due	2	

Quality Assurance Improvement Programme (QAIP)

The Committee was aware that the Internal Audit function were required to undertake an annual self-assessment against the Public Sector Internal Audit Standards (PSIAS). This assessment was then used to create a Quality Assurance Improvement Programme (QAIP) which Officers used for the continuous improvement of the service. Due to resource limitations the Internal Audit Manager had been unable to undertake this assessment for the January 2022 meeting of the Committee and had requested that it be deferred. The assessment had now been completed by the Principal Auditor and the attached QAIP (as detailed in Appendix C to the report) had been reviewed and updated.

It was reported that the review had identified that a number of actions had been completed and therefore were compliant with the Standards particularly around staff training and experience. As the Council's Auditor had completed her apprenticeship and was now a qualified Internal Audit Practitioner with over two years' experience it was felt that the experience of the current team was sufficient to meet those standards and therefore it had been removed from the QAIP.

Members were informed that the actions relating to aligning Internal Audit's assessment of risk with the Council's risk management framework remained ongoing with further work needed at a departmental / operational level.

In addition, actions in the QAIP relating to 'Proficiency' remained unchanged. The Internal Audit Team remained a small team and it continued to do the best it could to meet those standards with limited resources. It had been identified that although all members of the Team have had training in fraud detection historically, it might be worthwhile to refresh the knowledge base.

In so far as measures to prevent 'over-familiarity or complacency' in internal audits, the Committee was informed that steps are taken to alternate who within the Internal Audit Team undertakes repeat audits.

The Committee was advised that a new action had also been identified relating to policy and procedures. The Internal Audit Manual had not been updated since 2017 and although the main body of the manual was still relevant it would need to be updated to reflect changes in software usage and audit techniques for future staff training purposes.

In considering the report from the Internal Audit Manager, the Committee heard from the Head of Customer and Commercial Services on the administrative issues that had given rise to the large number of debtors (with total debts to the Council of £20K) in respect of the Careline Service across the two years of the Covid-19 pandemic and related periods of lockdown restrictions. He confirmed that processes were in place to underway to address those issues and the implementation of the plan to recover the situation was being overseen by a management board of senior management. Some of those recorded as debtors had ceased to receive the service as they no longer required it. As such, these debts would be cancelled. Others had stopped paying for the service, or never commenced payment, and these would be contacted individually. The practice was to provide non-payers with three notifications to request payment. Those struggling to meet the Careline costs to use the service could now be sign-posted to the comparable service provided by Essex County Council as the costs to use that service was means-tested.

The Committee was further advised that the ending of the PROVIDE sub-contract arrangements with Careline had immediately improved the workload of Careline and enable it to look at options for the future. These were being assessed internally by Officers with a view to ensuring the service was viable and sustainable going forward. All those who had been passed to Careline through the PROVIDE sub-contract arrangement would now access the same service but through PROVIDE's other arrangements.

In respect of the table of outstanding actions set out earlier, the Committee expressed concern that the refreshed Planning Enforcement Policy remained outstanding. The

Committee was advised that the reviewed Policy was scheduled to be considered by the Council's Corporate Enforcement Group in June 2022 and then submitted for approval. The need to keep the Committee updated with progress with the development of this Policy was emphasised.

After a discussion it was:-

RESOLVED that –

- (a) the contents of the report be noted; and
- (b) the Quality Assurance Improvement Programme be agreed.

43. REPORT OF ASSISTANT DIRECTOR (FINANCE & IT) - A.2 - ANTI-FRAUD AND CORRUPTION STRATEGY

The Committee had before it a report of the Assistant Director (Finance & IT) (report A.2) which presented it with an updated Anti-Fraud and Corruption Strategy.

It was reported that the Council's Anti-Fraud and Corruption Strategy had last been updated in April 2021 and it remained subject to an annual review process which had recently been completed. The amended Strategy was set out in Appendix A to the report.

Members were informed that 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

Members were further informed that the intention was to continue to include the scope for prosecutions within the Anti-Fraud and Corruption Strategy itself and include the relevant framework against which prosecutions would be considered. Those changes had been included within the 'Detection and Investigation' section of the strategy.

It was reported that the Strategy would continue to be subject to an annual review process including progress against identified actions and it 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.

The Committee was advised that amendments to the Strategy reflected the response to the COVID 19 pandemic where fraud risks had unfortunately increased during such difficult times. Work remained on-going in terms of lessons learnt from the last 24 months and further changes to the Strategy were likely to be required, especially as relevant regulatory bodies were expected to publish in the coming months anti-fraud and corruption guidance following the COVID 19 pandemic. Subject to the scale and timing of potential changes, a revised Strategy would be presented to the Committee during the year or would form part of the annual review early in 2023.

Members were aware that updates against the Council's Anti-Fraud and Corruption Strategy Action Plan were also included within Appendix A.

In considering this matter, the Members of the Committee commented on how well worded the draft revised Strategy was and how easy to read it was. In relation to the reference in the draft Strategy to sanctions against Contractors who commit fraud that this should also cover fraud they commit against service users (and not just against the Council or public funds more generally). Another proposal was to provide a telephone number in the section of the report headed 'Helpline or Employees' (in addition to the email address provided). Members also proposed that the section of the Strategy concerning the detection and investigation of fraud should recognise the role Councillors can and should play to prevent and detect fraud and corruption (alongside the other groups referred to there).

A question was also asked about the training for staff in respect of investigation of fraud and corruption.

After discussion it was:-

RESOLVED that the amended Anti-Fraud and Corruption Strategy, as set out in Appendix A to item A.2 of the Report of the Assistant Director (Finance & IT), be approved subject to amendments to address the following:

- Roles and Responsibilities (Page 7) - sanctions against Contractors who commit fraud should also cover fraud they commit against service users (and not just against the Council or public funds more generally).
- Roles and Responsibilities (Page 7) - 'Helpline or Employees' - a telephone number be provided to enable anonymous reporting (in addition to the email address provided).
- Detection and Investigation (Page 10) - recognise the role Councillors can and should play to prevent and detect fraud and corruption (alongside the other groups referred to there).

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

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

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

Members also heard that updates were set out against general items, external audit recommendations and the Annual Governance statement within Appendices A, B, and C respectively and 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.

Other issues

Statement of Accounts 2020/21

The Committee was informed that the Statement of Accounts 2020/21 remained subject to the conclusion of the work of the External Auditor. The associated report of the External Auditor was yet to be received as they continue their necessary audit work.

The Committee also had before it a progress report from BDO (the Council's External Auditor) which provided reasons for the delay and which further stated that the audit was not sufficiently progressed to enable them to present the Audit Completion Report.

Two further reports from the External Auditor that had been planned to be presented to this Committee would be reported later in the year once they had been finalised by them.

Regulation of Investigatory Powers Act 2000 (RIPA)

Members were advised that this Authority had not conducted any RIPA activity in the last quarter and that it was rare that it would be required to do so.

It was reported that the following draft policies had been circulated to the Operational Enforcement Group for their consideration:-

Covert Surveillance Policy and Procedure Manual pursuant to the Regulation of Investigatory Powers Act 2000; and

Use of Social Media in Investigations Policy and Procedure.

At the meeting, the Committee was advised that it was anticipated that the policies referred to would be further considered by the Operational Enforcement Group at its meeting on 10 May 2022.

Housing Void Rate

The Committee was informed that the housing void rate would now be reported by exception and managed through Financial Performance Reports and had subsequently been removed from the Table of Outstanding Issues.

Redmond Review

It was reported that no further updates had been provided by the Government at this time.

The Committee was then addressed by Aphrodite Lefevre of BDO LLP (the Council's External Auditors). She had joined the meeting through the MS Teams platform. She spoke to the Addendum to the Report of the Assistant Director (Finance and IT) that had been provided to the Committee and set out progress with the audit of the Council's accounts to 31 March 2021. Ms Lefevre set out some of the challenges external auditors were facing with recruitment and retention of external auditors and the enlarged regulatory framework for external auditors. She advised the Committee of the intention of BDO LLP to report on outstanding matters to each meeting of the Committee.

In view of the appointment of the Committee on 26 April 2022 (at the Annual Council) there would again be the need to consider the training requirements of the members of this Committee.

After an in-depth discussion the Committee **RESOLVED** that it notes the progress made against the actions set out in Appendices A to C of item A.3 of the Report of the Assistant Director (Finance & IT), along with the reported update from the Council's External Auditor.

45. EXCLUSION OF PRESS AND PUBLIC

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

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of Agenda Item 9 on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A, as amended, of the Act.

[Note: Following the passing of this resolution, and before proceeding, the Chairman of the Committee confirmed with officers that the live broadcast and recording of the meeting had ended.]

46. EXEMPT MINUTE OF THE MEETING HELD ON THURSDAY 31 MARCH 2022

The Exempt Minute of the last meeting of the Committee held on Thursday 31 March 2022 was approved as a correct record and signed by the Chairman.

The meeting was declared closed at 11.35 am

Chairman

