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Audit Committee

13 July 2023

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,
HELD ON THURSDAY, 13TH JULY, 2023 AT 10.30 AM
IN THE COMMITTEE ROOM, AT THE TOWN HALL, STATION ROAD, CLACTON-
ON-SEA, CO15 1SE**

Present:	Councillors Sudra (Chairman), Lennard (Vice-Chairman), Fairley, Platt and Steady
In Attendance:	Richard Barrett (Assistant Director (Finance and IT) & Section 151 Officer), Craig Clawson (Internal Audit Manager), Clare Lewis (Assurance and Resilience Manager), Karen Townshend (Executive Projects Manager (Governance)), Keith Durran (Committee Services Officer) and Bethany Jones (Committee Services Officer)
Also in attendance:	Steve Bladen and Tshiamo Hlatshwayo of BDO LLP (the Council's External Auditors)

1. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

No apologies for absence were submitted on behalf of Councillors on this occasion.

2. MINUTES OF THE LAST MEETING

The Minutes of the last meeting of the Committee held on Thursday 30 March 2023 were approved as a correct record and were signed by the Chairman.

3. DECLARATIONS OF INTEREST

There were no declarations of interest made on this occasion.

4. 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.

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

The Committee was provided with a periodic report on the Internal Audit function for the period March 2023 – May 2023 and the Internal Audit Manager's Annual Report for 2022/23 as required by the professional standards.

This report was split into three sections:

- 1) Internal Audit Plan Progress 2022/23
- 2) Annual Report of Internal Audit Manager
- 3) Internal Audit Plan Progress 2023/24

Members heard how the Public Sector Internal Audit Standards (PSIAS) required the Chief Internal Auditor (Internal Audit Manager) to make arrangements for reporting to

senior management (Management Team) and to the board (Audit Committee) during the course of the year, and for producing an annual Internal Audit opinion and report that could be used to inform the Annual Governance Statement.

The Accounts and Audit Regulations 2015 required that: *“a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”*.

In respect of the Internal Audit Plan the PSIAS required the Internal Audit Manager to: -

- *Establish a risk based Internal Audit Plan, at least annually, to determine the priorities of the Internal Audit function, consistent with the Council’s goals.*
- *Had in place a mechanism to review and adjust the plan, as necessary, in response to changes to the Council’s business, risks, operations, programmes, systems and controls.*
- *Produces a plan that takes into account the need to produce an annual Internal Audit opinion.*
- *Considers the input of senior management and the Audit Committee in producing the plan.*
- *Assesses the Internal Audit resource requirements.*

It was reported to the Committee that all expected audits for the 2022/23 Internal Audit Plan had been completed. A total number of eight audits had been completed during April 2023 to May 2023. Two audits in that period had received an overall opinion of ‘Improvement Required’ (Housing Repairs and Maintenance and Housing Allocations) with the other six receiving satisfactory assurance opinions with no significant issues being identified. The audits receiving an overall opinion of ‘Adequate’ or ‘Substantial’ in that period were Risk Management, Health and Safety, Recycling and Waste, IT Governance, Freedom of Information / Subject Access Requests and Procurement. Internal Audit continued to provide advice on internal control, risk management and governance arrangements on a consultative basis.

All audits completed in the year had been assessed against the following risk:-

“The department has not managed or adapted to post Covid-19 working arrangements therefore current processes do not align with service demand potentially leading to process inefficiencies and gaps in internal control”. All procedural changes had been recorded and recommendations would be made throughout the year if procedural changes were needed; however, all departments reviewed to date had adapted well to the challenges brought by the Covid-19 pandemic and no significant issues specifically relating to the above risk had been identified.

The Committee also heard that the Internal Audit section remained focussed on delivering the message that it was here to support services and by letting the Council know about policy and procedural changes, difficult circumstances or just the unknown due to working on new projects / initiatives, it could advise and support at an early

stage rather than create additional work at a later date if governance or internal control issues were identified during an audit at a later date.

Quality Assurance – 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

Internal Audit had an establishment of 4 fte posts with access to a third-party provider of Internal Audit Services for specialist audit days as and when required. The Council had an Audit Technician post vacant at the time of the meeting. The Audit department had recently advertised and interviewed for an Internal Audit Apprentice with the successful applicant due to start in early July 2023. Unfortunately, the candidate would now no longer be joining the Council as they had since found alternative employment. Therefore, there was a need to advertise and recruit again; however, this would be the third attempt to recruit with not many people previously applying for the vacancy.

Outcomes of Internal Audit Work

The Standards 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. The PSIAS required the reporting of significant risk exposures and control issues.

Assurance	Colour	Number this Period	Total for 2022/23 Plan	
Substantial		3	9	
Adequate		3	12	
Improvement Required		2	2	
Significant Improvement Required		0	0	
No Opinion Required		0	3	Two consultative engagements in 2022/23 to date

For the purpose of the colour coding approach, both the substantial and adequate opinions were shown in green as both were within acceptable tolerances. Issues arising from audits completed in the period under review receiving an 'Improvement Required' opinion and requiring reporting to Committee were: -

Housing Allocations

Semi-automation of the Housing Register

Finding

"Shortlists to determine allocation of tenancies should be automated, recorded and reflect preferences and bandings of applicants."

Previously, this was a manual process, and flaws in this were highlighted in previous audit reports.

A new system was implemented and while the system is a large improvement on the previous method, the shortlisting still requires some manual input to bypass unsuitable candidates and officer time to sift through these.

Reasons for manual bypass could include an unrequested area, only accepting sheltered housing or a property unable to be adapted for a disabled applicant”.

Risk

“Without fully evidencing why certain applicants were bypassed, it is problematic to evidence why one applicant was awarded the property over another with an apparently higher claim. There is also the risk of an applicant being unfairly awarded accommodation if a higher placed applicant can be bypassed without authorisation or in error manually by an officer”.

Agreed Action

It was reported to Members that, at the conclusion of the Post Live Update software upgrade, it was expected that the shortlisting process should be fully automated due to including more factors (such as location) in the filtering to determine eligibility and offer. There should not be any manual input, which should make the process both less prone to manual error and manipulation as well as faster to process.

The process should still have a manual check to ensure the system was correct and all documentation was present and correct before any offer was made.

Housing Repairs and Maintenance

“The issues identified within the Housing Repairs and Maintenance review remain the same as the previous years audit. The reason for the overall ‘Improvement Required’ opinion is because the new management system has not yet been fully implemented which is expected because it is a long term solution to the issues previously identified. However, because temporary processes are still being used until the system is fully implemented we were unable to provide an improved audit opinion from the previous year”.

Recycling and Waste

“Although the overall opinion for recycling and waste was ‘Adequate Assurance’ there is one finding that needs to be raised with the Audit Committee because it is significant to green waste. In terms of recycling and waste generally, green waste collection is a small part of the service and its financial impact in comparison to the overall contract is low. However, the issue identified has a significant impact on the management of the green waste collection service”.

Finding

The Committee heard that the Garden Waste service had significantly grown since the introduction of the function. In order to effectively manage and monitor the service, several operational controls should be in place. Currently, there was no master list to confirm the total number of garden waste customers. This had led to a lack of reconciliations, which essentially, prevented the team from checking income against customer figures. In line with the above, invoices were unclear which made it challenging to establish charges for individual bin collections. Therefore, the team were uncertain whether the Council was being correctly charged, per bin.

The use of two systems had also made it difficult to provide an accurate database.

Risk

“Failure to implement suggested changes, could result in the following;

- Customers receiving a service which they have not paid for
- The Council being over charged for garden waste bin collections
- Associated debt through lack of house keeping
- Financial loss and Reputational Damage”

Agreed Action

It was reported to Members that Garden waste data was to be transferred to Firmsteps, in order to verify total number of customers. Transparency of garden waste invoices was also to be sought, to enable confirmation of charges.

Once complete, full monthly reconciliations would be carried out and checks by management would be evidenced.

Management Response to Internal Audit Findings – There were processes in place to track the action taken regarding findings raised in Internal Audit reports and sought 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	1	
Not yet due	0	

Update on previous significant issues reported

Depot Operations

It was outlined to the Committee that issues had previously been reported to the Audit Committee relating to Housing Repairs and Maintenance and Depot Operations that remained ongoing, however a further update could be provided relating specifically to stock taking.

The service had a designated Officer to manage stores who recorded and issued stock

upon management approval to keep a better record of all assets and stock. A weekly stock take was undertaken based on categories due to the variety of stock e.g. timber, tools, etc.

As this information was held and updated on a spreadsheet it could be prone to error or manipulation and had a big impact on staff time to update the records. However, it was a huge improvement on the fact that there was no process previously. The current process was a temporary fix until a full stock control and barcoding system could be implemented. The IT Department had agreed to create this system, a first version had already been created but some changes needed to be made in order to implement it fully.

The Committee requested that the Portfolio Holder responsible for the Council's waste function, as well as the appropriate Officer attend the next meeting of the Committee to discuss these green waste issues.

Richard Barrett (Assistant Director, Finance & IT) said that he would update the Committee on the progress of a solution to the Green Waste issue between now and the next meeting of the Committee.

Annual Audit Report of the Internal Audit Manager

Members were reminded that all local authorities must make proper provision for internal audit in line with the Local Government Act 1972. The Accounts and Audit Regulations 2015 required that the Council undertook an effective Internal Audit to evaluate the effectiveness of its risk management, internal control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS).

The PSIAS stated that a professional, independent and objective internal audit service was one of the key elements of good governance, as recognised throughout the UK public sector. The role of the Head of Internal Audit (Internal Audit Manager), in accordance with the PSIAS, was to provide an opinion based upon, and limited to, the work performed on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes.

As set out in PSIAS there was a requirement under PSIAS 2450 that the Chief Audit Executive must provide an annual report to the Audit Committee, timed to support the Annual Governance Statement. This must include:

- *An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment);*
- *A summary of the audit work from which the opinion was derived (including reliance placed on work by other assurance bodies); and*
- *A statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.*

It was reported that the Council was accountable collectively for maintaining a sound system of internal control and was responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system. As a result of this, the Council continued to adopt a 'Three Lines of Defence' assurance model, which was taken from the following sources:-

1. Senior Management and Departmental Leadership

Under the first line of defence, operational management had ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.

2. Internal Governance

The second line of defence consisted of activities covered by several components of internal governance (Statutory Officers, Corporate Oversight Functions, Quality Control, IT Security, Data Protection and other control departments). This line of defence monitored and facilitated the implementation of effective risk management practices by operational management and assisted the risk owners in reporting adequate risk related information up and down the organisation.

3. Internal Audit

The requirement for an internal audit function in local government was detailed within the Accounts and Audit Regulations 2015, which stated that a relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Internal Audit Approach

The Committee was aware that the Internal Audit function undertook a programme of audits each year in order to provide the Council and its Audit Committee with assurance on the adequacy of its system of internal control, governance and risk management arrangements. The audit programme was developed using a risk based approach that incorporated a number of independent reviews of the Council's activities to be able to give an overall opinion on the areas mentioned above.

Over the past few years there had been a rapid shift in the risk landscape leading to changing expectations from stakeholders for more value driven outcomes from Internal Audit work. This could be broken down into the following four categories that the Internal Audit function had tried to adopt in its approach to auditing within Tendring District Council;

- *Flexibility – Utilising different options to build engagement that allow varied deliverables;*
- *Value creation – Enhancing or improving deliverables whilst considering culture, organisation maturity and stakeholder needs;*
- *Innovation – Considering new and different ways of delivering audit efficiency, risk coverage and overall value; and*
- *Systematic approach – Considering options and making decisions in an orderly way.*

The Committee was reminded that the COVID-19 pandemic had been a major contributor to the ever changing risk landscape which had led to the impact of COVID-19 becoming a section of every audit undertaken and it would continue to be going forwards. The Internal Audit Team recorded changes to procedures and effectiveness and efficiency issues due to COVID-19 and reported any significant issues to the Council's Management Team and Audit Committee as required. Departments had adapted well by making permanent and temporary changes to procedures.

Recommendations had been made to a number of service areas throughout the year to reassess what were meant to be temporary process changes. However, none had been significant enough to warrant reporting to the Audit Committee as they were minor operational issues managed by departments without significant resource impacts.

Communication between Internal Audit, Leadership and the Audit Committee had been effective and remained consistent which provided reasonable assurance around the effectiveness and transparency of reporting arrangements.

Internal Audit had continued to work with services on a consultancy basis to support the implementation of new processes, identify and analyse root cause if necessary and to ensure that all relevant employees had the appropriate training to competently carry out their role. This included advising service areas' transformation projects, procurement, ad-hoc investigations and any further advice on procedures due to the impact of COVID-19.

Independent investigatory work had also been undertaken throughout the year as and when required to support Senior Management when internal control issues had arisen within service areas.

In 2022/23, only two audits from a total of 26 reviews undertaken had received an overall audit opinion of "Improvement Required" where high severity issues had been identified. Those audits had been Housing Allocations and Housing Repairs and Maintenance. The issues raised in both areas had related specifically around system implementation and the need to ensure that the IT systems used to manage the records and monitor progress were further developed.

Improvement actions were in place for the mentioned audit areas, which had been followed up by the Internal Audit function to assess the progress of implementation. All significant issues were reported to the Audit Committee with required improvement actions throughout the year in order to provide a continuous update on the Council's control environment, governance arrangements and material issues identified.

ANNUAL OPINION 2022/23

The Committee was advised that the Head of Internal Audit's annual assurance opinion was based on the following:

- *Internal Audit work completed during the course of the year;*
- *observations from consultancy/ advisory support;*
- *results of any follow up exercises undertaken in respect of previous years' internal audit work;*
- *a review of assurance from other providers including those from first and second lines of defence, independent regulators and peer reviews;*
- *the extent of resources available to deliver the internal audit work; and*
- *the quality and performance of the Internal Audit service and the extent of compliance with the Public Sector Internal Audit Standards*

Limitations to the Annual Opinion

It was reported that there were no limitations to report on the ability to deliver the Internal Audit Plan and to provide an annual opinion on the effectiveness of governance,

risk management and internal control. There had been changes to the audit plan throughout the year due to emerging risks and changes to service provision. The changes to the audit plan had been made in consultation with the Audit Committee and Management Team to fit with the resources available at the time.

The Head of Internal Audit's Annual Opinion

The Committee was informed that the overall direction of travel regarding the internal control environment since 2022/23 had improved. In 2021/22 it had been noted that an unqualified opinion could be difficult due to the wider governance issues raised in that year. However, it was noted that, based on the work completed in 2022/23, there had been evidence of improvements to processes and procedures throughout the Council meaning that a qualified opinion was not necessary for the 2022/23 financial year. A total of 39 moderate issues and 1 major issue had been identified with actions agreed with operational management throughout the year. All major actions had been reported to the Audit Committee and all moderate actions had been managed through the audit follow-up process with the service area.

Governance arrangements and internal controls had been evaluated in all audits within the plan, albeit with varying levels of scope. Senior Management continued to review strategic risks on a regular basis within Management Team and the Corporate Risk Register was reviewed bi-annually with any feedback reported to Management Team for its consideration.

The Internal Audit Manager had considered assurances obtained through:

- *All of the information reported above;*
- *Internal Audit outcomes;*
- *Annual Risk Management Review;*
- *The Council's assurance framework;*
- *Management assurance through the Annual Governance Statement process;*
- *External inspections;*
- *Ongoing engagement with the business; and*
- *Monitoring and reporting the implementation of agreed management actions.*

The Internal Audit Manager was satisfied that sufficient work had been completed in 2022/23 to draw a reasonable conclusion on the adequacy and effectiveness of the Council's activities. The internal control environment continued to remain stable with some significant changes in specific service areas, which had been reported to the Audit Committee throughout the year as part of the periodic reporting arrangements. An open dialogue with Senior Management on risk remained in place and a generally sound system of internal control had been assessed across the majority of the Council's operational areas. Therefore, an overall unqualified opinion of 'Adequate Assurance' could be provided.

In noting this opinion, it was acknowledged that Internal Audit had not reviewed all risks and assurances and could not provide absolute assurance on the internal control environment.

The above report would be included within the Council's Annual Governance Statement (AGS) as part of its statutory responsibilities.

Internal Audit Progress 2023/24

It was reported that the Internal Audit Team had yet to finalise an audit within the 2023/24 Internal Audit Plan. A total of six audits were in the 'fieldwork' phase.

Work had begun in areas such as Corporate Governance, Planning Development, Leisure Estate – Efficiencies and Cost Pressures, Building Control, Treasury Management and Contact Centre - Digitalisation.

Appendix B (2023/24 Internal Audit Plan progress) to the report provided an update on the status of each audit to date. There were no significant issues or particular areas of concern to report at this time.

After an in-depth discussion, the Committee **NOTED** the contents of the report and, in particular, in relation to the following:

- **The annual opinion statement within this report**
- **The completion of audit work against the 2022/23 and 2023/24 Internal Audit Plans**
- **Any audit findings provided; and**
- **The overall performance and customer satisfaction on audit delivery**

6. REPORT OF THE ASSURANCE AND RESILIENCE MANAGER - A.2 - CORPORATE RISK UPDATE

The Committee was presented with the updated Corporate Risk Register, which had been last presented to the Committee in September 2022. The Terms of Reference for the Audit Committee included a responsibility to provide independent assurance of the adequacy of the risk management framework and the associated control environment. The Corporate Risk Register was, where possible, brought to the Committee at six monthly intervals to enable the Committee to fulfil its role.

Corporate Risk Register

Members heard that the register had been subject to the review process with some highlights as follows.

A Covid 19 element continued to form part of all ongoing audits. Any significant findings identified would be provided at a later meeting by the Internal Audit Manager.

The Assurance and Resilience Manager continued to review the Council's Business Impact Assessments (BIA) to ensure the Council was able to identify the operational and financial impacts resulting from any potential disruption of business functions and processes. The purpose of the review was to consider how the Council could recover and continue to provide a service to our residents should a significant disruption occur. A more in-depth update would be provided to the Audit Committee once the review had something to report.

Members also heard that the Council continued to deal with issues relating to Corporate IT and was committed to ensuring users were not put at risk of cyber-attack. Online training was provided, which was tailored towards identifying the weaknesses

throughout the authority that could make the Council vulnerable to cyber-attacks and reduced the risk of the council being held to ransom by any attacker.

The Committee was informed that recruitment continued to be a challenge, but the Council had recently worked with the East of England Local Government Association to carry out an independent review of some areas of its pay structure and employment offer. This had led to some options to support the best use of the National Joint Council pay spine in alignment with the employment market. Those had included salary and benefits benchmarking, improved marketing of vacancies and employment offers, and expanding the well-established "grow your own" ethos. Those options were currently being considered as part of the Assistant Director change program.

The national and global "landscape" continued to impact the Council, and a full review of the Corporate Risk Register would be carried out during 2023/24. This would be done in consultation with Senior Officers and Members/Audit Committee. The changes to the Corporate Risk Register set out in this report reflected small changes undertaken since the Committee had last considered the register in September 2022 and provided updates on changing deadlines.

The Committee was also informed that a review of the Council's Risk Management concept would be carried out and brought back to the Audit Committee in the next six months. This work would include a review of the current risks included, along with the consideration of any changes or additions to reflect the most up-to-date position/changes faced by the council. This review would also consider the condition of the Council's assets and the risk of ineffective maintenance of all Council-owned properties that could have an adverse impact on the organizational focus delivery.

The table below set out all amendments to the Risk Register since it had last been considered by the Committee in September 2022.

Risk Register Item	Amendments / Comments
New Risks Identified	None
Risks Removed	None
Risk Scores Amended	<p>Item 2a - Coastal Defence – residual risk increased from 5 – 15.</p> <p>Item 2d - Ineffective delivery of Transformation project – inherent risk reduced from 15 – 2. Residual risk reduced from to 3 – 2. (consider removal of this item)</p> <p>Item 4a - Loss of Key staff – inherent risk reduced from to 16 – 12.</p> <p>Item 4b - Lack of capacity to deliver core services – residual risk reduced from 16- 12.</p> <p>Item 7a - Local Plan - residual risk reduced from 12 – 5.</p>

Risk number changed	None
Risks Amended	<p>Item 1a - Failure to effectively manage assets – comment regarding a review of the asset management plan provided. Consideration to review Action Plan.</p> <p>Item 1c - Ineffective communication / management of information – update on main wording relating to cybersecurity and members IT.</p> <p>Item 1d - Ineffective Cyber Security Physical and Application (software) Based Protection Management – updates to main wording relating to cyber security being strengthened.</p> <p>Item 2a - Coastal Defence – Officer responsibility updated from Corporate Director Operations and Delivery to Assistant Director Building and Public Realm. Description updated relating to risk and the stability of the cliffs. Current action updated. Update provided for cabinet member.</p> <p>Item 2b - Community Leadership Projects – current action updated to include a comment relating to reputational and financial risk in engaging in partnership relationships, ensuring robust agreements are in place.</p> <p>Item 2d - Ineffective delivery of Transforming Tending project – current action wording updated to reflect that this project is now finalised. Inherent risk score and residual risk score amended to reflect this update. Cabinet member updated.</p> <p>Item 2f – Garden Communities - current action updated to reflect Housing Infrastructure Funding in place. Planning Performance Agreement in discussion with lead developers and Planning Manager. Updated portfolio holder details.</p> <p>Item 3c – Health and Safety – Main wording updated regarding succession planning. Responsible officer updated.</p> <p>Item 3d – Fraud and Corruption – wording updated to reflect changes in fraud awareness training and induction process. Officer responsibility updated.</p> <p>Item 4a – Loss of Key staff - update provided relating to changes to recruitment buy utilizing ECC recruitment. Inherent risk and residual risk rating reduced to reflect this change.</p>

	<p>Item 4b - Lack of capacity to deliver core services - comprehensive update provided relating to considerations of recruitment and the use of East of England Local Government Association. Officer responsibility updated.</p> <p>Item 5a – Financial Strategy – update provided relating to developing a framework to capture key financial information/savings. A review of financial planning cycle to be reviewed during 2023.</p> <p>Item 6a - Loss of sensitive and/or personal data through malicious actions loss theft and/or hacking. Current action updated relating to precures being in place to manage agreements with partner organizations.</p> <p>Item 6b - Disconnection from PSN Network – updated current action wording relating to the national cyber security and cyber security framework. Comment provided relating to PSN health check.</p> <p>Item 7a – Local Plan - current action update provided relating to local plan being adopted in Jann 22 and review due in 2025. Residual risk reduced to reflect this.</p> <p>Item 9a - Ineffective Emergency Planning – update provided on emergency planning actions.</p> <p>Item 9b – Ineffective Business Continuity Planning – update to main text relating to planned business continuity actions. Additional responsible officer added.</p>
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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 currently being undertaken:-

Agreed Action	Current Position
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 Assurance and Resilience Manager (formally Corporate Fraud and Risk Manager)	The Assurance and Resilience 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.

Actions to be undertaken to identify and record key operational risks within service areas relating to risk management and business continuity. Support to be provided by Internal Audit manager if required	Due to changes in responsibilities a review was now being undertaken with all services relating to their business continuity plans.
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Follow up item

Arrange Risk Management training for all departments across the Council	Suitable Risk Management training had been identified; this would be rolled out as part of the Members' training programme. Dates would be arranged via the Committee Services Team in liaison with the Assurance and Resilience Manager.
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The Risk Management Framework had been distributed to the Committee prior to the meeting as a late appendix.

After a detailed debate the Committee **NOTED** the contents of the report.

7. EXTERNAL AUDITORS UPDATE

The Committee was joined, via a remote Microsoft teams call, by Steve Bladen, who was a Director with BDO (the Council's External Auditors) who gave an update on the Council's outstanding Audit from 2021/22.

Members heard that, in relation to transactions and balances, this section of the Audit was now complete.

However, BDO still needed to resolve the following:

- The calculation of property plants and equipment, in particular those assets that were valued on a depreciated replaceable costs basis.
- The valuing of property, this was based on floor plans which still needed to be provided. This should be concluded within the week.
- Material Infrastructure Assets, notably coastal defences. The Council had supplied BDO with a letter from a Civil Engineer as evidence to this. As of yet BDO still needed to perform due diligence on this letter.

Members asked BDO a number of robust questions challenging three key points, being summarised as:

- General on-going External Audit Delays, especially in respect of the 2020/21 accounts;
- What work was outstanding and how long any outstanding work would take to complete; and
- On-going impacts and the thresholds required in terms of external advice to support the finalisation of the 2020/21 Accounts.

During the course of this item Steve Bladen 'dropped out' of the remote call and was unable to return. Tshiamo Hlatshwayo (also from BDO) who was also present on the teams call, undertook to revert the following question to BDO:-

"What experience/qualifications would BDO expect from the person drafting the letter of evidence, in relation to the coastal defences item, to facilitate the audit?"

8. REPORT OF THE ASSISTANT DIRECTOR (FINANCE & IT) - A.3 - TABLE OF OUTSTANDING ISSUES

The Committee was presented with a report on the progress of outstanding actions previously identified by the Committee along with general updates on other issues that fell within the responsibilities of the Committee. The Table of Outstanding Issues had been reviewed and updated since it had last been considered by the Committee in March 2023.

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

- 1) Updates against general items raised by the Committee
- 2) Updates against the 2021/22 Annual Governance Statement Action Plan

Members heard that in terms of item 1) above, there were no significant issues to raise, with actions remaining in progress or further details set out in the report. In terms of item 2), at the time of finalising this report, the Annual Governance Statement for 2023 remained subject to being finalised alongside the Statement of Accounts, where there had been a delay in its publication due to the ongoing impact of the External Auditor's delay in completing their necessary work for earlier years (the Statement of Accounts for 2020/21 and 2021/22 remained subject to this ongoing delay).

In terms of the review of the Annual Governance Statement for 2023 mentioned above, the associated action plan set out within that Statement would include the on-going / outstanding items set out within Appendix B along with the consideration of a number of actions that aimed to reflect the issues and challenges now faced by the Council such as:-

- *Review of the Local Code of Corporate Governance and Key Policies and Procedures*
- *A review of the Council's Corporate Risk Register and business continuity arrangements*
- *Delivering financially sustainability*
- *Developing the management of performance and delivery*
- *Review of the Effectiveness of the Audit Committee*
- *Review of Departmental Plans in the context of corporate priorities and vision*

As highlighted above the Statement of Accounts 2020/21 remained subject to the conclusion of the work of the External Auditor. The External Auditor had indicated a commitment to finalise their work by September 2023 and therefore, subject to the availability of their associated audit completion report, it might be possible to present this to the September meeting of this Committee. If this was not possible then it was proposed to arrange a special meeting of the Committee in consultation with the Chairman as soon as possible after that date.

RIPA – Regulatory Investigatory Powers Act 2000

Members were informed 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.

Whistleblowing Policy

The Committee was informed that, at the meeting of Human Resources and Council Tax Committee, held on 6 July 2023, that Committee had considered a comprehensive review of the Council's Whistleblowing Policy and procedure, in line with identified best practice and employment legislation. The review had focused on the Authority's reporting and investigation mechanisms for dealing with, and responding to, whistleblowing concerns, and the responsibility of those involved in managing disclosures. The Whistleblowing Policy had been approved for adoption by the Human Resources and Council Tax Committee and had come into effect immediately.

As part of the monitoring arrangements associated with the effectiveness of this policy, relevant updates would be provided to this Committee during the year.

Redmond Review

A summary of the key Redmond Review recommendations was as follows:

- Formation of a new independent oversight body/system leader
- Extension to external audit timeframes and increase in fees
- Review of associated governance and reporting arrangements (Independent Person to be appointed to the Audit Committee and auditor's annual report to be submitted to a meeting of Full Council)
- Introduction of a standardised statement of service costs

The necessary actions to implement the above remained ongoing via the relevant responsible body and timely updates would continue to be included in future reports.

In addition, as further progress was announced by the Government, updates would be provided to future meetings of this Committee, which would hopefully set out the necessary practical steps to implement the recommendations made as part of this review.

After a short discussion, the Committee **NOTED** the contents of the report.

The meeting was declared closed at 1.01 pm

Chairman