

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,
HELD ON THURSDAY, 5TH OCTOBER, 2023 AT 10.30 AM
HELD IN THE COMMITTEE ROOM, AT THE TOWN HALL, STATION ROAD,
CLACTON-ON-SEA, CO15 1SE**

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|----------------------------|---|
| Present: | Councillors Sudra (Chairman), Fairley, Platt and Steady |
| Also Present: | Councillor Bush (Portfolio Holder for the Environment) |
| In Attendance: | Ian Davidson (Chief Executive)(except items 14 & 15), Damian Williams (Corporate Director (Operations and Delivery)), Lee Heley (Corporate Director (Place & Economy)), Richard Barrett (Assistant Director (Finance and IT) & Section 151 Officer), Tim Clarke (Assistant Director (Housing and Environment)), Craig Clawson (Internal Audit Manager), Ian Ford (Committee Services Manager), Karen Hayes (Executive Projects Manager (Governance)), Keith Durrant (Committee Services Officer) and Bethany Jones (Committee Services Officer) |
| Also in Attendance: | Steve Bladen (via MS Teams; representing BDO LLP, the Council's External Auditor) (except items 14 & 15) |

9. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were no apologies for absence or substitutions on this occasion.

10. MINUTES OF THE LAST MEETING

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

RESOLVED that 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, subject to the following alteration and amendment to Minute 7 (External Auditor's Update):-

- (1) the addition of a new fourth paragraph to that minute to read as follows:-

"Officers confirmed that they were not aware of any outstanding requests by the External Auditor." and

- (2) the deletion in the original fifth paragraph of that minute of the words *"was unable to return"* and their replacement by the words *"did not re-join"*.

11. DECLARATIONS OF INTEREST

There were no declarations of interest made on this occasion.

12. 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.

13. **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 been last considered by the Committee in July 2023.

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

- 1) Updates against general items raised by the Committee (Appendix A)
- 2) Updates against the 2023 Annual Governance Statement Action Plan (Appendix B)

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), this set out the latest Annual Governance Statement published as part of the Council's Statement of Accounts for 2022/23 on 1 August 2023. Activity would remain in progress against the various items, which would be reported to Members as part of this report going forward.

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

Members were advised that, following discussions at the last Audit Committee relating to the completion of the External Auditor's work on the Council's 2020/21 Accounts, a further update was planned to be provided by the External Auditor directly at this meeting.

In respect of the ongoing audit delays, it was reported that the Government's response had been set out in the Monitoring Officer's Section 5 report, considered by Full Council at its meeting held on 26 September 2023. An associated Member question to, and response from, the Chairman of the Audit Committee had also been raised at that same meeting of Full Council. Those had set out more details around the Government's response, which revolved around introducing statutory deadlines, by which time the accounts relating to outstanding years must be finalised. The Chairman of the Audit Committee had also stressed the importance of the Council's current external auditors having a focus on the 2022/23 accounts which had been a point also acknowledged by the Government and the Financial Reporting Council. It was now important to obtain from the Council's external auditors their own response to the Government's recent announcements and their assurances around meeting the proposed statutory deadlines which, hopefully would see them focus on the 2022/23 statement of accounts as soon as possible.

Steve Bladen from BDO LLP, the Council's external auditor attended the meeting via MS Teams and informed the Committee that there had been no progress made on the work outstanding on this Council's 2020/2021 accounts. This was due to a combination of resource issues and a decision to prioritise outstanding NHS audits. This would mean that this Council's audit would not be progressed much before the end of the calendar year.

Mr Bladen referred to the wider national issue revolving around the outstanding local government audits and stated that the National Audit Office was leading and working with all the audit providers nationally in implementing the Government's approach to solving this issue.

Members asked Mr Bladen robust questions that challenged several key points, being summarised as follows:-

- the prioritisation of NHS audits over local government audits;
- BDO's position on meeting the Government's imposed cut-off dates;
- how and when BDO would resolve the outstanding matters around the valuing of Council property (based on floor plans); material infrastructure assets (notably coastal defences); and the evidence provided by an external civil engineer on behalf of the Council (and notably the robustness and qualifications of that civil engineer);
- what assurances could BDO give Members of the Council and Council Tax payers that the Council's finances were robust.

RIPA – Regulatory Investigatory Powers Act 2000

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

Whistleblowing

This Authority had not received any Whistleblowing information since the adoption of the Whistleblowing Policy in July 2023. 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

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. At the time of this meeting, no updates were available.

Changes to Regulatory Arrangements

The Committee was informed that there had been two recent changes that would have an impact on this Council with a summary as follows:

- 1) The Government had established the Office for Local Government (OFLOG), a performance body for Local Government. They had proposed a number of activities with the aim of fostering accountability through increased transparency, which in turn aimed to support the improvement of Local Government performance.

The Government had also stated that as OFLOG developed, it would seek to enable improvement across the sector by helping facilitate greater use of interpretation of data, and in its mature state it aspired to be an authoritative source of information on Local Government performance, that could support others to interpret performance data and take action on it – particularly where the data showed early warning signs of failure.

OFLOG had stated that their strategic objectives were as follows:

- *empower citizens with information about their local authority, enabling them to hold local leaders to account;*
- *increase local leaders' and councils' understanding of their relative performance, supporting them to improve and better innovate; and*
- *increase central government's understanding of local government performance, highlighting excellence and identifying risk of failure to facilitate timely and targeted support.*

2) Enhanced Powers for the Regulator of Social Housing – the Social Housing Regulation Act had received Royal Assent earlier in the year, which would see a new era of regulation for the social housing sector, with some key elements as follows:

- *Enhanced powers for the Regulator of Social Housing - The Act would facilitate the introduction of proactive consumer regulation by strengthening the Regulator of Social Housing, allowing intervention in cases where landlords were performing poorly on consumer issues. This would enable the Regulator to take action to address any shortcomings and protect tenants.*
- *Stronger enforcement powers - The Act established stronger enforcement powers for the Regulator to take action including provisions for regular inspections of social housing properties to ensure landlords were providing high-quality services and accommodation. Those inspections would help maintain and improve the standard of housing for tenants across the country.*
- *Tenant empowerment - The Act would establish strict time limits for social landlords to address hazards and empowered social housing tenants to request information from their landlords, promoting transparency and accountability. This would ensure tenants had the right to access crucial information about their homes and could access swift redress where things go wrong.*
- *Standards for Registered Providers - The Act had introduced a set of standards for registered housing providers, requiring social housing managers to possess specific qualifications or be actively working towards gaining them. Those standards would help ensure residents received the best possible service from their housing associations.*

The Committee was advised that Council would need to explore those new requirements, their impact on this Council and the actions required to be undertaken in response to the above. In respect of the Housing Regulator's powers, work was already underway along with further planned work that would include external consultation and review along with the development of associated action plans. Further updates would be provided to Members as part of that ongoing work.

Other matters to highlight

Members were made aware that, following the Committee's consideration of the Corporate Risk Register at its meeting held in July 2023, the next six monthly update would be in January 2024. This changed the six monthly cycle that had been set out in the Committee's earlier work programme.

After a detailed debate, it was moved by Councillor Fairley, seconded by Councillor Sudra and:-

RESOLVED that the progress against the actions set out in Appendices A and B to the Report of the Assistant Director (Finance & IT) be noted.

14. REPORT OF THE INTERNAL AUDIT MANAGER - A.1 - PERIODIC REPORT ON INTERNAL AUDIT: JUNE 2023 - AUGUST 2023

Members considered a periodic report on the Internal Audit function for the period June 2023 – August 2023 and which also provided an update on the Internal Audit Charter, for approval by the Audit Committee, as required by the professional standards.

Members were aware that 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 Committee was also aware that 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”*.

INTERNAL AUDIT PROGRESS 2023/24

It was reported that five audits had been completed since the last meeting of the Committee in July 2023. Four audits had received a satisfactory level of overall assurance. The other audit had been undertaken as a consultative piece of work as a lessons learned review (Jaywick Sands – Sunspot). It had now been provided to the service to contribute to future similar projects and to support any reporting arrangements required from the economic growth team.

The Committee was advised that a further 16 audits from the 2023/24 Internal Audit Plan had been allocated, four of which were currently at the fieldwork phase.

Members were made aware that Officers were currently in the ‘Key Systems’ phase of the audit plan whereby all financial and core service systems and processes were reviewed. Each area was tried and tested as they were very important to the Council’s day-to-day activities. Officers did not anticipate any significant issues in this area as historically they had been managed well; however, it was very important to ensure that those systems and processes continued to work as expected and remained well controlled.

Quality Assurance

As per the usual practice, the Internal Audit function had 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 reminded that Internal Audit currently 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. An Audit Technician post was currently vacant.

It was reported that the team had recently transferred an Apprentice from the Council's housing department. That individual was keen to gain experience in Internal Audit and was now part of the team, training and providing much needed additional support.

The Committee was informed that the Internal Audit Manager had also recently taken on additional responsibilities in managing the Fraud, Risk & Compliance and Health and Safety teams whilst the Assurance and Resilience Manager was on secondment. That arrangement was expected to last until December 2023 unless the secondment was extended.

It was felt that there were many similarities between Health and Safety, Compliance and Internal Audit. Work had been undertaken to synchronise the follow up processes between all three services and to identify synergies in order to effectively oversee the service. The Internal Audit Apprentice would be supporting all teams with their administrative requirements in order to free up time for Officers to spend more time on inspections and audit work. This would enable all teams to deliver against their objectives whilst still delivering against the audit plan.

The Committee was assured that if the secondment was extended then the Committee would be provided with periodic reports on the above areas in order to provide overall assurance on all areas covered under the responsibilities of the Internal Audit Manager.

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 2023/24 Plan | |
|----------------------------------|--------|--------------------|------------------------|--|
| Substantial | | 3 | 3 | |
| Adequate | | 1 | 1 | |
| Improvement Required | | 0 | 0 | |
| Significant Improvement Required | | 0 | 0 | |
| No Opinion Required | | 1 | 1 | One consultative engagement in 2023/24 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. There had been no issues arising from the audits completed in the period under review as none had received an 'Improvement Required' or 'Significant Improvement Required' opinion which would have required reporting to the Committee.

Management Response to Internal Audit Findings

There were processes in place to track the action taken regarding findings raised in Internal Audit reports and seek an 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 | 2 | |
| Overdue less than 3 months | 0 | |
| Not yet due | 0 | |

The Committee was reminded that it had requested more detail on the outstanding actions within the above table and on previous significant findings as a matter of context. Appendix B to the Internal Audit Manager's report provided a summary of those findings and agreed actions as well as including the relevant service's response and an internal audit status. This would become a regular appendix of the periodic progress reports going forwards.

Update on previous significant issues reported

All previous significant issues were now to be found within the aforementioned Appendix B to the Internal Audit Manager's report.

The Corporate Director (Operations & Delivery) (Damian Williams) attended the meeting and updated the Committee on the progress made in relation to the actions arising from the internal audits of Depot Operations, Housing Repairs & Maintenance and Housing Allocations. He also outlined how the Council was responding to the implications of the enhanced powers granted to the Regulator of Social Housing under the Social Housing Regulation Act 2023 and also particularly in relation to stronger enforcement powers; tenant empowerment; and standards for Registered Providers contained within the Act. Mr Williams then responded to Members' questions thereon.

The Assistant Director (Housing & Environment) (Tim Clarke) and the Environment Portfolio Holder (Councillor Bush) attended the meeting and updated the Committee on the progress made in relation to the actions arising from the internal audit of Recycling and Waste (specifically Garden Waste service income). They then responded to Members' questions thereon.

INTERNAL AUDIT CHARTER

Members were reminded that it was a requirement of the PSIAS for the Audit Committee to review and approve the Internal Audit Charter on an annual basis. As such, the Charter had been last updated, and approved in September 2022. There had been no changes to standards or processes since the last review, therefore no amendments were required.

The Committee was advised that global Internal Audit Standards had recently changed with guidance expected and that therefore there might be a requirement to update the Charter during the year or when the Charter was next reviewed in 2024.

The Charter was included as Appendix C to the Internal Audit Manager's report.

After an in-depth discussion, it was moved by Councillor Fairley, seconded by Councillor Steady and:-

RESOLVED that –

- (a) the contents of the report be noted; and
- (b) the Internal Audit Charter be approved.

15. REPORT OF THE CORPORATE DIRECTOR (PLACE & ECONOMY) - A.2 - PROGRESS ON CLIMATE ACTION

The Committee considered a report of the Corporate Director (Place & Economy) which presented to it a two-year progress report on the Council's Climate Change Action Plan, as had been required as part of the Audit Programme.

Members were reminded that the Full Council had declared a climate emergency at its meeting held on 6 August 2019, when Councillors from all parties had approved a motion on notice, submitted by former Councillor Neil Stock. The approved motion had committed this Council to preparing an action plan for consideration by Councillors with the aim of making its activities net zero carbon by 2030.

In November 2020, the Council had set out its plan to achieve this goal, initially covering the period to 2023. [Action plan](#).

The Committee was informed that the Council had committed to become net zero by 2030 in its direct emissions (the so-called 'scope one' emissions) and the production of its electricity ('scope two' emissions). The Council was also committed to working towards reducing emissions in its supply chain ('scope three'), which included the services it delivered via business contracts rather than directly employed staff, such as waste collection. This aspect of the plan did not have a defined target for emissions reduction.

It was reported that a final element of the action plan encouraged businesses and residents in the District to play their part in reducing carbon emissions.

The Committee was made aware that the current Action Plan ended in December 2023. A new plan was under development, building on the work of the first plan.

Current position

The Council had emitted 2,797 tonnes of carbon for scope one (internal) and scope two (electricity) emissions in the baseline year, 2018/19. In 2021/22 this had fallen to 2,245 tonnes of carbon emitted. As a result, the Council had saved 552 tonnes of carbon since the baseline year in direct emissions, which was made up from 144 tonnes of scope one (internal) emissions, and 376 tonnes from scope two, electricity.

Members were advised that Officers were currently converting the energy records into Carbon emission equivalent to provide data for 2022/23.

In addition, the Council had recorded 2,317 tonnes of carbon emissions in the baseline year of 2018/19 through its supply chain, i.e. scope three emissions. This had fallen to 2,052 tonnes by 2021/22. The majority of those emissions came from the Veolia fleet of waste vehicles, although that element had slightly increased their contribution to emissions in the period (1,404 to 1,435 tonnes).

The Corporate Director (Economy & Place) (Lee Heley) and the Environment Portfolio Holder (Councillor Bush) both attended the meeting and spoke to this item. They also answered Members' questions in relation to:-

- the achievability of the 2030 'Net Zero' target in the light of the current level of the Council's financial resources;
- the Council's progress against the 'soft trajectory' targets in the Action Plan and how it will meet them going forward;
- can LUF money be used to help meet the requirements of the Action Plan; and
- are all TDC owned buildings covered by the requirements of the Action Plan?

Having considered the update to the Committee on progress with the Climate Action Plan, noting the opportunities and challenges associated with its implementation and that the current Climate Action Plan ended in December 2023 and so required updating for future years:-

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

RESOLVED that –

- (a) the progress against the Climate Action Plan, as set out in Appendix A to the Report of the Corporate Director (Economy & Place), be noted; and
- (b) the Portfolio Holder for the Environment be requested to oversee the development of a Climate Action plan from 2024 with its ambitions and actions set in the context of current national policy.

The meeting was declared closed at 12.40 pm

Chairman