

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,
HELD ON THURSDAY, 30TH JANUARY, 2025 AT 10.30 AM
IN THE COMMITTEE ROOM, AT THE TOWN HALL, STATION ROAD, CLACTON-
ON-SEA, CO15 1SE**

Present:	Councillors Sudra (Chairman), Steady (Vice-Chairman), Fairley and Morrison
In Attendance:	Richard Barrett (Director (Finance and IT) & Section 151 Officer), Craig Clawson (Internal Audit Manager), Karen Hayes (Executive Projects Manager (Governance)), Ian Ford (Committee Services Manager), Katie Koppenaal (Committee Services Officer) and Bethany Jones (Committee Services Officer)

53. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

An apology for absence was submitted on behalf of Councillor Platt (with no substitute appointed).

54. MINUTES OF THE LAST MEETING

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

RESOLVED that the Minutes of the meeting of the Committee, held on 9 December 2024, be approved as a correct record and be signed by the Chairman.

55. DECLARATIONS OF INTEREST

There were no declarations of interest by Councillors in relation to any item on the agenda for this meeting.

56. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38

On this occasion no Councillor had submitted notice of a question pursuant to Council Procedure Rule 38.

57. REPORT OF THE INTERNAL AUDIT MANAGER - A.1 - REPORT ON INTERNAL AUDIT: SEPTEMBER 2024 - DECEMBER 2024

The Committee was provided with a periodic report on the Internal Audit function for the period September 2024 to December 2024.

That report was summarised as follows:-

- *A total of eight audits had been completed since the previous update in September 2024.*
- *Seven out of eight audits in this period had received a satisfactory level of assurance. Disabled Facilities Grants and Council Adaptations had received an overall 'Improvement Required' opinion.*
- *It was requested that the Careline Follow Up Audit be deferred as decisions were still to be made on the future of the service. This was a total of five audit days that the Internal Audit Manager wanted to reallocate to the Payroll audit as a brand new*

system had been implemented and it was believed that the audit could take longer than originally anticipated.

- *As the Internal Audit Manager was providing the updates on Risk Management whilst the Assurance and Resilience Manager remained on secondment it was requested that the related audit be deferred and the five allocated days be used towards current and future updates on Risk Management until the responsible officer returned.*
- *During this period an issue had arisen relating to a substantial precept payment being paid incorrectly to the incorrect Parish Council. The funds had been recovered in full and the issue resolved, however it had identified a weakness in control that needed to be resolved.*

INTERNAL AUDIT PROGRESS 2024/25

It was reported that a total number of eight audits had been completed during the period of September 2024 to December 2024. Seven out of the eight audits in this period had received a satisfactory level of assurance. The Disabled Facilities Grants and Council Adaptations had received an overall 'Improvement Required' opinion.

A further eight audits from the 2024/25 Internal Audit Plan were in the fieldwork phase. The final six audits from the plan had been allocated based on the available resource.

The Internal Audit Manager requested that the Careline Follow Up Audit be deferred as decisions were still to be made on the future of the service. This was a total of five audit days that he wanted to reallocate to the Payroll audit as a brand new system had been implemented and it was believed that the audit would take longer than originally anticipated. Many processes and controls had had to change during the implementation of the ITrent HR/Payroll system and some of those processes were now shared between both departments, therefore reallocating the five days from the Careline review would provide more time for the auditors to get a better understanding of the system.

As the Internal Audit Manager was still providing the updates on Risk Management whilst the Assurance and Resilience Manager remained on secondment it was requested that the related audit be deferred and the five allocated days be used towards current and future updates on Risk Management until the responsible officer returned.

Members were informed that the Team were currently at the same stage as last year in terms of audits completed, therefore it was anticipated that enough work would be completed in time to provide the Head of Internal Audit's Annual Opinion in June 2025.

Quality Assurance

Members recalled that the Internal Audit Team issued satisfaction surveys for each audit completed. The Team had yet to receive completed surveys for the audits completed in this period.

Resourcing

The Committee was reminded that the Internal Audit Team 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 remained vacant. However, a new apprentice who supported the Internal Audit, Fraud and Compliance teams had been appointed in November 2024.

Outcomes of Internal Audit Work

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

Assurance	Colour	Number this Period	Total for 2022/23 Plan	
Substantial		2	2	
Adequate		7	11	
Improvement Required		1	1	
Significant Improvement Required		0	0	
No Opinion Required		2	2	Two consultative engagements in 2024/25 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:-

No contract in place for Disabled Facilities Grants relating to Council Housing Stock

Issue

There were no contracts in place and each adaptation required the quotation process to be initiated and treated as individual jobs, unlike the building maintenance contracts. This specifically related to Council housing and was therefore limited to the HRA budget.

In some cases, those works could exceed tender limits when aggregated both overall and to individual companies. As one example, over the last two years, the Council had paid one external company just over £150,000 (£100k last year & £50k so far for this year) to undertake disabled adaptation works, none of which were obviously specialist. The total spend by contractors for the financial year 2023-24, amounted to over £550,000.

Risk

It was felt that a failure to source a contract, in adherence with the Council's Constitution, was not only a risk of breaching the Council's rules by disaggregating expenditure, but that the service could be paying higher prices for individual works as opposed to set fees within a contract.

There was also an associated risk of external companies carrying out works, without any formal checks to establish that they were suitable to undertake works for the Authority.

Agreed Action

As a short-term solution quotes would be obtained to the value of £30k-£50k in line with procurement rules. This would provide some resilience of not having to rely on one contractor to undertake the work. In the long term, a full tender process for the Housing Responsive Repairs contract would be carried out in May 2026, which would include the works of disabled council adaptations as part of that. For specialist work, procurement frameworks would be explored with a view to using them.

Payment made to the incorrect Council in error

It was reported that, although the Accounts Payable audit was yet to begin, an issue had been identified by the Payroll and Payments team whereby a payment of over £340k meant for a specific parish had been paid to another parish instead in error. The Payments Team had promptly reported the issue and had corrected the mistake. However, it had identified a weakness in the control environment that required an immediate remedy.

Members were informed that there were several payment methods that were used to pay suppliers, individuals, other Councils etc. The type of method used depended on the supplier and whether an invoice had been provided or not.

Payment requisition was a method that could be used when an invoice was not available, but payment needed to be made. Historically, this method had been used to make contract payments, grant payments, faster payments and some precept payments to Parish Councils. The service requiring the payment to be made were required to complete a specific form and send it to the Payroll and Payments Team for processing. This process was not to be used regularly as it was meant for organisations that could not provide an invoice or when there was a requirement to make a payment faster than usual. It was understood however that services had begun to use this method even when an invoice was available to be paid.

The Committee was advised that the responsibility of ensuring bank details were correct had usually been left to the service as they were the ones requesting the payment to be made. This was where the weakness within the control had been identified. If bank details were different on the form from the bank details held on the payment system, then the Payroll and Payments Team were required to contact the company (or Council Service Unit in this instance), via the contact details held on file to confirm the change. This had not occurred in this instance as the change of details had already occurred from an earlier request without anyone realising the error.

Therefore, going forward the Payroll and Payments Team would take a 'no trust' approach and would no longer make a payment via the requisition process unless the service had provided evidence of the bank details in an official format from the organisation / individual concerned. They would also check the duplicate bank details report regularly to ensure none of the details had been duplicated historically. This would only work if the Council had paid the supplier in the past, it was not a control for new payments.

Update on previous significant issues reported

All previous significant issues were now provided within Appendix B of the Internal Audit Manager's report.

The Internal Audit Manager and the Director (Finance & IT) responded to the Committee's questions on this report.

After discussion it was moved by Councillor Fairley, seconded by Councillor Sudra and unanimously:-

RESOLVED that –

- (a) the contents of the Internal Audit Manager's report (A.1) be noted;
- (b) the Internal Audit Manager's request that the Careline Follow Up Audit be deferred as decisions were still to be made on the future of the service and that the five audit days be reallocated to the Payroll audit be approved; and
- (c) a senior Officer from the Council's new Project Delivery Unit be requested to attend the next ordinary meeting of the Committee in March 2025 to answer Members' questions regarding the governance aspects of that team's work.

58. REPORT OF THE INTERNAL AUDIT MANAGER - A.2 - CORPORATE RISK UPDATE

The Committee considered the updated Corporate Risk Register which was normally updated and presented to the Committee every six months. The Register had been last presented in April 2024.

The following table summarised the position at the end of the period under review with updated information provided within the register where necessary:-

Item	Number
New Risks Identified	0
Risks Removed	1
Risk Score Amended	0
Risks Under Review	4
Risks Amended	9

Corporate Risk Management Framework

It was anticipated that there would be a need to change the responsibilities section of the risk management framework soon due to changes in roles. No changes had been made at this time. The assessment criteria and objectives of the framework currently remained the same. The framework had been included at Appendix A of the Internal Audit Manager's report following a recent review and was for Members' information only.

Corporate Risk Register

The Committee was informed that the register had been subject to the review process with all officers responsible for the risks identified within the risk register, with some highlights as follows:-

- Financial Strategy, IT Security, Data Protection and Coastal Defence remained as high risk on the Corporate Risk Register. The responsible officers had provided an update on the 'Current Action Status' of the risk register.
- The Human Resource risks around lack of capacity and loss of key staff had now been merged as one risk. Although both were separate issues, they had the same impact on the Council with regards to not being able to deliver key services. Additional sub-risks with mitigation had been included within the 'Current Action Status' of the overarching corporate risk.
- The changes to the Corporate Risk Register set out in this report reflected minor changes undertaken since the Committee had last considered the register in April 2024. It provided updates, where needed and revised changing deadlines.

The Internal Audit Manager recommended that a further review be undertaken to determine where some risks could now be removed or potentially merged. Examples of this could be to remove risk 2d – Transforming Tendring Project as the Council's transformation project had been completed several years ago or risk 2e – Essex Family Solutions as it was now a partnership between ECC and TDC and therefore no longer considered a significant corporate risk.

There might also be an opportunity to merge some risks such as IT Security and Information Management risks potentially reducing four risks to one or two. This was because all those risks were managed centrally with the same controls and procedures reducing the inherent risk for all areas identified.

The Committee noted that the Internal Audit Team had been working with the IT department to build an in-house system to manage Business Impact Assessments (BIA) for all services across the Council. The Internal Audit Manager had now collected all BIA's required. Some final testing of the system was being undertaken before all BIA's were uploaded. This would allow all departments to log in and update their risks periodically rather than chasing spreadsheets and collating data that could be very time consuming.

The below table sets out all amendments to the Risk Register since it had been last considered by the Committee in April 2024.

Risk Register Item	Amendments / Comments
New Risks Identified	None
Risks Removed	4b – Lack of Capacity to Deliver Core Services (Merged with 4a – Loss of Key Staff)
Risk Scores Amended	None
Risk number changed.	None

Risks Amended	<p>Item 1b – Catastrophic IT network failure – Controls updated within the current action status.</p> <p>Item 1c - Ineffective communication / management of information – additional information on information breaches added to the current action status.</p> <p>Item 1d - Ineffective Cyber Security Physical and Application (software) Based Protection Management – additional information added regarding immutable back ups and Zero Trust Network Architecture (ZTNA).</p> <p>Item 2f – Garden Communities – Current action status updated to reflect the latest timeline of events.</p> <p>Item 3a – Member Conduct – Current action status updated to reflect and increase in complaints and training provision updates.</p> <p>Item 4a – Loss of Key Staff – merged with 4b and now includes all sub risks and mitigation against the overarching corporate risk.</p> <p>Item 6a - Loss of sensitive and/or personal data through malicious actions loss theft and/or hacking – additional update on policy and procedures included within current action status</p> <p>Item 6b - Disconnection from PSN Network – additional information relating to IT Security Healthchecks and Cyber Assessment Frameworks.</p> <p>Item 7a – Local Plan - current action updated to reflect current timelines.</p>
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Members were informed that no changes had been required for the following risks. The responsibility for some risks had recently changed and therefore might require a further update for future reports.

Risk number	Risk title	Responsible officer
1a	Failure to effectively manager assets	Andy White
2a	Coastal defence	Andy White
2b	Community Leadership Projects	Lee Heley
2c	Building Council Homes	Damian Williams
2d	Ineffective delivery of transforming Tendring	Andy White

	project	
2e	Essex Family Solutions	Lee Heley
3b	Failure to comply with legislative requirements.	Lisa Hastings
3c	Health and Safety	John Higgins / Clare Lewis
3d	Fraud and Corruption	Richard Barrett / Craig Clawson
5a	Financial Strategy	Richard Barrett
8a	Failure to collect levels of income required from Council Tax to fund the Councils financial requirements.	Richard Barrett
8b	Failure to collect levels of income required from non-domestic rates to meet the shares between the Government, Essex County Council, Essex Fire Authority and TDC	Richard Barrett
9a	Ineffective Emergency Planning	John Fox/Catherine Boyer-Besant
9b	Ineffective Business Continuity Planning	John Higgins

The Committee was made aware 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 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	Management team continue to be updated with urgent matters on a quarterly basis.
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 is now being undertaken with all services relating to their business continuity plans.

Follow Up Item

Arrange Risk Management training for all departments across the council	Suitable Risk Management training has been identified; this will be rolled out as part of the Members training programme. Dates to be arranged via the Committee Services Team.
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The Internal Audit Manager and the Director (Finance & IT) responded to the Committee's questions on this report.

After discussion it was moved by Councillor Sudra, seconded by Councillor Fairley and unanimously:-

RESOLVED that –

- (a) the contents of the Internal Audit Manager’s report (A.2) be noted;
- (b) the Internal Audit Manager’s recommendation that a further review be undertaken to determine where some risks could now be removed or potentially merged or others added, be supported; and
- (c) a training workshop/module on risk management for the Committee be explored and that it takes place before the Committee meets to make any decision on the review referred to in (b) above.

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

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

Table of Outstanding Issues

It was reported that the Table of Outstanding Issues had been reviewed and updated since it had been last considered by the Committee in September 2024.

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

- 1) Updates against general items raised by the Committee – Appendix A; and
- 2) Updates against the 2023/24 Annual Governance Statement Action Plan – Appendix B

In terms of item 1) above, there were no significant issues to raise, with actions remaining in progress or further details provided within the report.

The Committee was informed that, in respect of the 2023/24 Annual Governance Statement Action Plan, although this remained subject to the Committee’s final approval later in the year once the work of the External Auditor was completed, for timely and practical reasons the version currently published at the end of May 2024 alongside the Unaudited Statement of Accounts presented the most up to date position for the Committee’s consideration. This approach enabled the actions and associated updates to be considered as early as possible within the Committee’s annual work programme. Appendix B therefore included outstanding items from last year’s Annual Governance Statement alongside new items for the current year. There were no significant issues to highlight at the present time with actions and activities remaining on-going, with the plan subject to amendment following the completion of the external audit process.

Appointment of Independent Person(s) to the Audit Committee

Members were informed that it had been originally planned to present a draft person specification to this meeting of the Committee, however due to several competing priorities it was now planned to present this to the Committee at its March 2025 meeting. Although this had introduced a slight delay to the process it would still be possible to carry out the necessary process to enable an Independent Person to be appointed to the Committee as early as possible in 2025/26.

External Funding Review

As highlighted within the report to the Audit Committee at its September 2024 meeting, the Committee had been asked by Cabinet for their support and assurance on the associated governance processes. This item had now been captured within Appendix A with further updates to be presented to future meetings of the Committee.

External Audit Delays

Members recalled that the outstanding Statement of Accounts and associated External Auditor's reports for the years up to and including 2022/23 had been considered and agreed by the Committee at its December 2024 meeting. Although it had been hoped to present the Statement of Accounts and associated external auditor reports for 2023/24 to this meeting of the Committee, work remained ongoing to finalise the position, and it was therefore proposed to seek to arrange a special meeting of the Committee in early February 2024 to consider that item.

Local Audit Reform: The Government's strategy for overhauling the local audit system

Members were made aware that the recently published English Devolution White Paper set out the Government's intention to legislate to radically streamline and simplify the local audit system, bringing as many audit functions as possible into one place. The report before it provided the Committee with a detailed update on the Government's associated strategy aims to set out a new and proportionate Local Audit Office.

RIPA – Regulatory Investigatory Powers Act 2000

The Committee was informed that the 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

Members were advised that the Authority had not received any Whistleblowing Policy notifications since the adoption of its policy in July 2023.

The Executive Projects Manager (Governance) and the Director (Finance & IT) responded to the Committee's questions on this report.

After discussion it was moved by Councillor Sudra, seconded by Councillor Steady and unanimously:-

RESOLVED that the progress against the actions set out in Appendices A and B to the report (A.3) be noted.

60. SPECIAL MEETING OF THE COMMITTEE

The Director (Finance & IT) informed Members that the Chairman of the Committee (Councillor Sudra) had agreed that a special meeting of the Committee would be held on Thursday 13 February 2025, commencing at 10.30 a.m. in the Committee Room, at the Town hall, station Road, Clacton-on-Sea.

The purpose of the meeting would be to enable the Committee to consider the outstanding Statement of Accounts and associated External Auditor's reports for 2023/2024.

The Committee noted the foregoing.

The meeting was declared closed at 11.51 am

Chairman