

## **AUDIT COMMITTEE**

### **Minutes of a meeting of the Audit Committee held on Wednesday 31 May 2023 at 6.00 pm in The Telford Room, Addenbrooke House, Ironmasters Way, Telford, TF3 4NT**

**Present:** Councillors A D McClements (Chair), G H Cook (Vice-Chair), S J Reynolds, P Thomas, C R Turley and W L Tomlinson

**In Attendance:** J Clarke (Senior Democracy Officer (Democracy)), K Clarke (CFO and Director: Finance & Human Resources), T Drummond (Principal Auditor), P Harris (Finance Manager - Corporate & Capital Finance), R Montgomery (Audit & Governance Lead Manager), E Rushton (Group Accountant) and K Fisher (Lead Lawyer: Children & Adults)

**Apologies:** Councillors E Davies and Councillor N England (Cabinet Member: Finance, Customer Services and Governance).

#### **AU1      Declarations of Interest**

None.

#### **AU2      Minutes of the Previous Meeting**

Following the recent local elections only one of the former Audit Committee Members were currently sitting on Audit Committee for the municipal year 2023/2024. Therefore it was agreed by the Committee that the minutes of the meeting held on 24 January 2023 be noted as a true record of the meeting.

#### **AU3      Review of the Audit Committee Terms of Reference**

The Audit & Governance Lead Manager presented the review of the Audit Committee Terms of Reference.

There was a requirement in the Council's Constitution that all Committees undertake an annual review of their terms of reference at the first meeting following annual Council.

The terms of reference needed to support the varied remit of the Committee which included good governance, the internal and external audit function, risk management, statement of accounts, treasury management function, complaints and fraud.

A review of the Committee's effectiveness was undertaken annually, but given the number of new members on the Committee it was asked, with agreement from the Committee that this be deferred until 2024.

A question was asked as to whether there were any legislative changes the Committee should be aware of.

The Audit & Governance Lead Manager confirmed that an exercise was undertaken during the last municipal year which looked at best practice and benchmarking against similar sized councils particularly concentrating on sustainability, climate and risk partnerships. This would be continually kept under review.

Upon being put to the vote it was, unanimously:

**RESOLVED to RECOMMEND TO FULL COUNCIL that the Terms of Reference (as contained in Appendix A of the report) be adopted.**

#### **AU4      Draft Statement of Accounts**

The Finance Manager presented the draft Statement of Accounts in line with the requirements of the Accounts and Audit Regulations 2015.

The Committee had delegated authority to review and approve the accounts which were presented at the meeting to start the process. Members were asked to consider the document in detail prior to the next meeting. Officers were happy to receive queries via email and would include any relevant topics raised within the training session due to be held prior to the next meeting. An update from External Audit would be brought to the next meeting.

The deadline for producing draft account was the end of May 2023 and this deadline had been met. A period of public inspection of 30 working days would begin on 1 June 2023 and adverts had been placed in the local paper and on the Council's website. The target for receiving the Audited Accounts was the 30 September but this was dependent on the external audit being completed. The External Auditors would report to Committee and give an opinion on the accounts once they had completed their work.

During the debate, some Members considered the Statement of Accounts to be a comprehensive document and thanked the Finance Team for their hard work in meeting the deadline.

A question was raised on the 2021/22 Statement of Accounts in relation to the two accounting issues previously reported and whether these had been resolved.

The Finance Manager informed the Committee that Infrastructure Assets was a national issue and a Statutory Instrument and CIPFA guidance had been put in place which allowed temporary dispensation from the reporting requirements. The accounts had been updated to reflect the new guidance and initial feedback from the auditors was that they were comfortable with the amendments. In relation to NuPlace, discussions had been undertaken with the Auditors who were comfortable with the Council's proposed changes but had not fully signed off on this point. A more recent issue with the pension valuation had also arisen following completion of the accounts which related

to the triennial valuation (which was available post-balance sheet date) and this was currently being considered as, again, this was a national issue.

#### **AU5      Annual Governance Statement 2022/23**

The Audit & Governance Lead Manager presented the Annual Governance Statement 2022/23.

Under the Accounts and Audit Regulations 2015 the Council was required to produce an Annual Governance Statement to accompany the Statement of Accounts which need approval from the Audit Committee.

It was part of the Committee's role to ensure that good governance was in place in line with the Code of Corporate Governance. To meet this responsibility, the Council had put in arrangements for the overseeing of its affairs including risk management, requirements of regulations and ensuring the effective exercise of its functions. Assurance was gathered from all areas within the Council which included internal audit, external auditor, the inspectorate and peer reviews. An assurance questionnaire was sent to all service delivery managers within the council in order to meet key requirements. A completed certificate was signed off by the Director and the Executive Director.

It was considered that the Council had good governance in place and provided a reasonable level of assurance that this was fit for purpose. There were a small number of areas that required development and this was recorded in the action plan appended to the report. Progress against the action plan would be reported to future Audit Committee meetings.

The Local Code of Good Governance had been updated to reflect the CIPFA Framework of Good Governance and to reflect the Council's culture and values.

Upon being put to the vote it was, unanimously:

**RESOLVED – that the Annual Governance Statement 2022/23, together with the Local Code of Good Governance, be approved.**

#### **AU6      Annual Internal Update, Audit Committee Annual Report & 23/24 Audit Plan**

The Principal Auditor presented the Annual Internal Audit Update 2022/23, Audit Committee Annual Report 2022/23 and the 2023/24 Audit Plan.

The Annual report was approved by Audit Committee in May 2022 and set out the work of Internal Audit during the period 2022/23.

There were 629 planned days for Internal Audit during 2022/23 which included 49 days specialist ICT audit provision provided by Lighthouse Consultancy. The team achieved 82% of the planned work with some items being

rescheduled into the 2023/24 plan. In 2022/23 there had also been a number of unplanned audit assignments. There had been 23 reports issued during 2022/23, compared to 32 in 2021/22 and 29 in 2020/21. Whilst the number of yellow and red reports had decreased since 2021/22, the number of green and amber reports issued had remained comparable over the last three years.

The Public Sector Internal Audit Standards came into effect from 1st April 2013. In April/May 2022 an external assessment of Internal Audit was undertaken against these standards, which was a five year requirement. The external assessment confirmed that the Council's Internal Audit Team fully met the requirement of the standards. The report did outline six advisory points (to enhance the service and not for compliance purposes) that have been accepted and implemented in full.

The Internal Audit Team continually monitor their performance, compliance and best practice against a set of key performance indicators. The Audit Plan target of 90% was slightly down to 82% due to long-term staff absence. The target for issuing the draft report within 15 working days following completion of fieldwork was 93.75% which exceeded the 90% target. One hundred percent of internal audit customers were either satisfied or very satisfied with audit work undertaken. Feedback on performance was monitored via informal feedback during the audit, discussions during meetings, post audit electronic surveys and there was positive results.

The Annual report, which included the work of the Committee, had been discussed during the Terms of Reference.

In relation to the 2023/24 Internal Audit Plan, there was a statutory obligation to provide assurance to the Council on the governance framework and the effective management of risk. Audit resources were limited and the plan was informed and influenced by previous audit work, management teams, strategic risk registers, external assessment and common themes picked by attendance at local regional network groups. The plan was kept under continual review and changed where any risks were identified and any changes brought before the Committee.

During the debate Members thanked Internal Audit for their continuous hard work and asked that there be no reduction to audit resources.

Upon being put to the vote it was, unanimously:

**RESOLVED – that**

- a) the Internal Audit Annual Report for 2022/23 be noted;**
- b) the Internal Audit Plan 2023/24 be approved; and**
- c) the operations of the Audit Committee for 2022/23 be noted.**

**AU7      Internal Audit Activity Update**

The Principal Auditor updated members on the progress made against the 2022/23 Internal Audit Plan and provided information on the recent work of Internal Audit during the period 1 January 2023 to 30 April 2023.

Six reports had been issued during the reporting period, two green (good) and four yellow (reasonable). Audit reports were followed up 3-6 months later and where gradings remained unchanged further audit work was undertaken with managers.

In relation to audit resources, progress against the plan was reported with 18 audits completed and 11 in progress. There were currently no changes to the agreed plan. Unplanned quality assurance work had been undertaken on Prevent (Counter Terrorism & Security Act 2015). Commercial contracts were in place with eight academies and two parish councils.

Internal Audit continued to maintain a Quality Assurance and Improvement Programme in compliance with the Public Sector Internal Audit Standards (PSIAS) alongside the normal quality review process which was applied to all audit assignments. Only minor Internal Audit procedural issues had been found and changes had been implemented to aid continuous improvement in the service.

The report was noted.

#### **AU8      Information Governance & Caldicott Guardian Annual Report 2022/2023**

The Audit & Governance Lead Manager presented the Information Governance (IG) & Caldicott Guardian Annual Report 2022/23.

There were three main areas legislation and good practice standards that govern the IG arrangements:

- Freedom of Information Act 2000
- Environmental Information Regulations 2004
- UK Data Protection Act 2018/UK GDPR

In 2022/23 there had been 933 freedom of information requests which was down by approximately 100 requests on the previous year. Responses within the 20 day deadline were 87% which was very much in line with best practice of 90%. There had been 45 environmental information regulation requests which had dipped but was comparable to the previous year. There had been an increase of one data protection enquiry and 90% had been responded to within the statutory timescale which was an increase on the previous year.

The Information Governance Team monitor and investigate data breaches and provide feedback on lessons learnt to prevent future breaches. During 2022/23 no breaches ad met the threshold required to be reported to the Information Commissioners Office (ICO).

Members were informed that the Caldicott Guardian was the person who oversaw risk in social care areas. This currently sat with the Executive Director for Adult and Social Care but in the longer term this would be delegated to the new Director of Adult Social Care.

The IG work programme for 2023/24 was set out in the report and was based on legal requirements. Managing the Council's information was governed by the IG framework and IG strategy and this allowed the Local Authority to ensure that all information was held, processed and communicated safely and legally.

During the debate, some Members praised the Council's training courses and data awareness. Other Members asked if the data security breaches were all internal.

The Audit & Governance Lead Manager explained to Members that the some training for staff such as cyber security was classified as essential learning. There was a mix of internal and external breaches and additional measures for electronic communications were being put in place through a new protected email system which would be an additional layer of security.

**RESOLVED – that:**

- a) **the Information Governance & Caldicott Guardian Annual Report for 2022/2023 be noted;**
- b) **the Information Governance Work Programme for 2023/24 be agreed; and**
- c) **the Information Governance Framework be approved.**

**AU9      Anti-Fraud & Corruption Annual Report for 2022/23 and Policy**

The Audit & Governance Lead Manager presented the Anti-Fraud & Corruption Annual report for 2022/23 together with the revised Anti-Fraud and Corruption Policy.

The S151 Officer must ensure good governance measures were in place to prevent fraud and corruption and protect the Council from any loss. This activity fell across many teams. The Investigation Team, which was part of Audit and Governance, investigated all elements of fraud and theft and prevented fraud and corruption by the use of policies, training courses and attending at management meetings.

Most frauds were related to revenues and single person council tax discounts and were generally low level in terms of value.

Overall a saving of £291,000 had been saved which could have been lost to fraud.

Internal Audit, Public Protection, Licensing and Trading Standards were some of the team involved in preventing anti-fraud and corruption.

The revised Anti-Fraud and Corruption Policy was required to come before Committee at least once every two years and contained details of how to combat fraud and corruption and was in line with statutory guidance and best practice.

During the debate some Members enquired if the Council was part of inter-agency working, if any commission was received from the frauds that have been prevented and the cost of the investigation team against the recovery of any funds.

The Audit & Governance Lead Manager confirmed that in previous year the fraud function had split, but discussions were ongoing to bring the function back together. The Teams work well with the Police and provided vital input to police investigations. In relation to costs of the team versus savings, the team paid for itself.

Upon being put to the vote it was, unanimously:

**RECOMMENDED TO FULL COUNCIL that the revised Anti-Fraud and Corruption Policy be adopted.**

**AU10      Audit Committee Outline of Business 2023/24**

The Audit & Governance Lead Manager presented the Audit Committee's outline of business for the 2023/24 municipal year which gave details of the scheduled meetings and the items to be presented at these meetings.

The report was noted.

**AU11      Exclusion of the Press and Public**

**RESOLVED** – that the press and public be excluded from the meeting for the remaining item of business on the grounds that it may involve the likely disclosure of exempt information as defined in paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972.

**AU12      Cases Update**

The Audit & Governance Lead Manager gave a verbal update on a recent case.

The meeting ended at 7.03 pm

**Chairman:** .....

**Date:** Wednesday 26 July 2023