

AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 24 JANUARY 2023

Present: Councillor Williams (Chair); G Dennis, Edwards, Emberson, Gittings, Mitchell, Terry and Thompson

25. MINUTES OF THE PREVIOUS MEETING HELD ON 28 SEPTEMBER 2022

The Minutes of the meeting held on 28 September 2022 were confirmed as a correct record and signed by the Chair.

26. INTERNAL AUDIT QUARTERLY PROGRESS REPORT

Paul Harrington, Chief Auditor, submitted a report providing an update on the key findings emanating from the Internal Audit reports issued for the period 1 October to 31 December 2022 (Quarter 3).

The report provided a summary of the findings following each audit review, summarised the recommendations and management actions that had been put forward for each area and stated the overall assurance opinion level given by the Internal Audit team. A total of four audit reviews had been finalised in the period with three receiving positive opinions and one receiving a negative opinion. The specific areas looked at were:

- Salary Sacrifice Schemes (Reasonable Assurance opinion given);
- Deputyship and Appointeeship (Limited Assurance opinion given);
- Purchase Cards (Reasonable Assurance opinion given); and
- re3 Waste PFI (Reasonable Assurance opinion given).

The audit of the Deputy's team had concluded that there was a poor control framework in relation to the transfer of clients' funds from private to RBC designated deputy and appointee bank accounts and a high volume of manual processes. A total of eleven recommendations had been made in respect of this review, of which five were considered high priority. The recommendations and corresponding management action plan had been attached to the report and showed that considerable progress had been made to address the risks identified by the audit.

It was noted at the meeting that the Director of Finance and the Interim Executive Director of Adult Social Care and Health had been tasked by the Chief Executive to conduct a review of control measures and processes that were in place within the Deputy's Office, including looking at how parts of the reconciliation process could be conducted by the Finance Team in order to enhance separation of duties. The Director of Finance confirmed that the Committee would be kept updated of progress to improve the control measures and processes.

The report also detailed the audits that were currently in progress and gave a summary of investigations work that had taken place between 1 October and 31 December 2022.

Resolved:

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- (1) That the audit findings be noted, and the recommendations and management action underway, as set out in the Internal Audit & Investigations Quarter 3 Update Report, be endorsed;
- (2) That the Committee be updated on the action to improve the control measures and processes within the Deputy's Office, at a future meeting.

27. CORPORATE PEER CHALLENGE - REPORT AND ACTION PLAN

Charlie Stewart, interim Executive Director of Resources, presented a report introducing the findings from the Local Government Association (LGA) Corporate Peer Challenge that had taken place in June 2022. The following documents were appended to the report:

- LGA Peer Challenge - Final Report (Appendix 1)
- Action Plan (Appendix 2)

The Corporate Peer Review had been carried out at the Council's request by a team of six experienced peers from different councils and organisations. The Peer Team had conducted onsite interviews and had held focus group discussions with Council members, staff and partners.

The Peer Team's initial feedback had been presented to Members and senior officers on 16 June 2022 and the Final Report had been received from the LGA on 23 September 2022. An action plan had been developed in response to the LGA's findings and the Corporate Management Team was overseeing its delivery and was currently reviewing the plan. The LGA had offered a return revisit to the Council for a 'check-in' session, with this providing the opportunity for the Council's senior leadership to update peers on its progress against the related improvement planning and discuss next steps.

Resolved:

- (1) That the LGA Corporate Peer Challenge Final Report, as attached to the report at Appendix 1, be noted;
- (2) That the Action Plan, as attached to the report at Appendix 2, would be the mechanism for implementing the recommendations within the Final Report, be noted;
- (3) That the positive comments about the former Chief Executive and staff at the Council as set out in Section 4 the LGA's Report be endorsed.

28. STRATEGIC RISK REGISTER QUARTER 3 2022/23

Robin Pringle, Health, Safety & Risk Management Lead, presented a report outlining the Q3 updates to the Strategic Risk Register (SRR), in line with the requirements of the Council's Risk Management Strategy. A copy of the SRR was attached to the report at Appendix 1.

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The SRR had been reviewed by CMT in January 2023 and the following risks had been removed and de-escalated to the relevant Directorate Risk Register:

- Implementation of the new government legislation to deliver Adult Social Care Reforms;
- Provider's ability to meet statutory Adult Social Care requirements; and
- High risk of homelessness within the Ukrainian arrivals due to unmet housing needs.

In addition, CMT had merged the risks: 'failure to safeguard young people in the community from serious crime'; and 'lack of effective corporate parenting across the organisation' into 'Failure to Safeguard Vulnerable Adults and Children' and added a new risk 'lack of local Special Education Needs and Disabilities (SEND) placement provision to meet current and future levels of demand'. The other risks had remained the same to those reported to the previous meeting.

The report stated that Risk Management Training had been planned for all Councillors on 2 February and 30 March 2023. Both training sessions would provide Members with the guidance on how to review and challenge reports when received as part of promoting good governance.

Resolved: That the Council's Strategic Risk Register, as at the end of Q3 (December 2022), be noted.

29. IMPLEMENTATION OF THE NEW FINANCE SYSTEM - PROGRESS UPDATE

Darren Carter, Director of Finance, submitted a report updating on the progress made towards the implementation of a new finance system. Implementation of the new e5 financial system was currently at the test phase and, whilst there was still a considerable amount of work that needed to be completed, the new system was expected to go live across RBC and BFfC in April 2023.

The report explained that progress was being reviewed every two weeks by the Finance System Board which comprised of stakeholders from each directorate, BFfC and senior officers from Advanced, the system supplier. The e5 system would support the Council's vision for financial management and governance, enabling the adoption of best practice and empowering finance staff and budget managers to improve performance and outcomes. The key changes in ways of working and anticipated improvements in functionality that the e5 system would provide were listed in the report.

The design phase of the project had been completed in April 2022, with the core build phase completed in October 2022. This was later than expected due to resource availability and delays with the supplier completing the infrastructure build. The project team had been strengthened in September 2022 and a test and cutover manager had joined the project in January 2023.

The remaining phases of implementation and key challenges to overcome were outlined in the report. A final go-live assessment was due to be presented to the Finance System

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Board on 16 March 2023 with go-live recommendations then being submitted to the Finance Transformation Board. A further progress update on implementation would be provided to the Committee at its meeting on 12 April 2023.

Resolved:

- (1) That the progress made towards the implementation of the new e5 finance system be noted;
- (2) That a progress update on the implementation of the new Finance System be provided to the next meeting on 12 April 2023.

30. TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW 2022/23

Stuart Donnelly, Financial Strategy & Planning Manager, submitted a report on the mid-year review of the Treasury Management Strategy. The report provided an update on the activity of the Treasury Management function during the first half of the year for the period 1 April 2022 to 30 September 2022. The report stated that the Council had not taken out any new external long-term borrowing during 2022/23 as at 30 September 2022 and had complied fully with its Treasury Management Strategy Statement (TMSS) as agreed by Council on 23 February 2022. The changes to the Treasury Management Code, Prudential Code, Public Works Loan Board (PWLB) Lending Terms and regulations to improve enforcement of the duty of local authorities to make prudent Minimum Revenue Provision each year were set out in within section 11 of the report. The report had appended the Economics Update; Investment Criteria & Limits; and Investment Portfolio for the Committee's information.

Resolved: That the Treasury Management Mid-Year report for 2022/23 be noted.

31. 2022/23 QUARTER 2 PERFORMANCE & MONITORING REPORT

Stuart Donnelly, Financial Strategy & Planning Manager, submitted a report, which had been considered by Policy Committee on 15 December 2022 (Minute 38 refers) setting out the projected revenue and capital outturn positions for 2022/23 for both the General Fund and the Housing Revenue Accounts as at the end of Quarter 2 (September 2022). The report also summarised performance against the measures of success published in the Council's Corporate Plan. The following documents were attached to the report:

- Appendix 1 - Financial Monitoring for Quarter 2;
- Appendix 2 - Capital Programme for Quarter 2;
- Appendix 3 - Corporate Plan Measures for Quarter 2;
- Appendix 4 - Corporate Plan Projects for Quarter 2.

Resolved: That the 2022/23 Quarter 2 Performance and Monitoring Report and the recommendations set out and approved by Policy Committee on 15 December 2022 be noted.

32. INFORMATION GOVERNANCE QUARTERLY UPDATE

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Michael Graham, Assistant Director of Legal & Democratic Services, submitted a report outlining the action underway to improve the Council's policies, systems and processes for Information Governance following several limited assurance reports in this area.

The report provided an update on: the action being taken to address the backlog of Subject Access Requests, including the purchase of redaction software; the improvement in on-time responses to FOI requests to 72.1% and the action being taken to increase responses within the required timescale to 90%, as expected by the Information Commissioner's Office; data transparency; the work of the Information Governance (IG) Board; progress to implement the Information Management Strategy, which set out the Council's approach to information management and governance; and uptake of Cyber Security training which was compulsory for all staff and Members through Learning Pool, the Council's e-learning package.

The report stated that the current immediate focus would be the completion on the FOI Action Plan and the training of Information Asset Owners and Data Stewards to implement aspects of the Information Management Strategy particularly with reference to Records Management practices.

Resolved: That the progress being made to improve the Council's Information Governance be noted and the future actions outlined in the report be endorsed.

33. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER

Charlie Stewart, interim Executive Director of Resources, presented a report setting out progress with the Implementation of Audit Recommendations. A copy of the Implementation of Audit Recommendations Tracker for January 2023 was attached to the report at Appendix 1.

The report explained that each recommendation set out in Appendix 1 was marked with a percentage complete which correlated to a red/amber/green rating (up to 25% complete: red, between 26% and 75%: amber, over 75% complete: green). Any recommendations that were less than 50% complete but had exceeded their agreed completion date were also marked red.

The tracker now had 99 high and medium risk recommendations from Internal Audit, of which 28 (28.3%) were currently green but not complete, 40 (40.4%) were amber and 5 (5.1%) were red. Twenty-six recommendations had now been completed and would be removed from the next report and 13 recommendations had been added to the tracker since the last report.

The Committee considered a recommendation from the Chief Auditor to focus the audit recommendations tracker on those audit findings with limited or no assurance in future reports.

Resolved:

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- (1) That the high and medium risk Internal Audit recommendations and the responses to those risks be noted as set out in Appendix 1 to the report;**
- (2) That future Audit Recommendations Tracker reports be focussed on those recommendations where the Auditors' findings had given limited or no assurance, subject to the full list of audit recommendations continuing to be reviewed by the relevant senior officers and the narrative section on the tracker being kept up to date by the officer responsible for implementing the recommendations.**

34. CLOSING FINANCIAL ACCOUNTS UPDATE

Mark Sanders, Chief Accountant, submitted a report providing an update on closing the financial accounts. The report explained that three sets of accounts (2019/20, 2020/21 and 2021/22) were being worked on concurrently. The accounts were all at different stages of completion, which brought extra complexity to the process for the Council and the External Auditors, but remained the best way to bring the whole process up to date. An incremental approach had been adopted to make any significant adjustments arising in one year, agreed during the audit process, would be reflected in the accounts of the following year before they were prepared. The Council's Finance Team had continued to meet regularly with the External Auditor's (EY) team to manage the progress and discuss matters arising. The report contained further detail of the progress being made in each of the sets of accounts.

The report stated that the Council had opted to join the External Auditor appointment process run by Public Sector Audit Appointments (PSAA). This process had now been concluded and KPMG had been appointed as the Council's new auditor for five years covering the 2023/24 Statement of Accounts through to 2027/28. There would now be a planning process over the next few months to begin the transition between auditors. EY would still sign off the 2022/23 Statement of Accounts and would support the transition process.

Resolved:

- (1) That the progress made on the audit of the accounts for 2019/20, 2020/21 and preparation for the 2021/22 accounts be noted;**
- (2) That the appointment of KPMG as the Council's new independent External Auditor for five years from 2023/24 be noted.**

35. EXTERNAL AUDITOR UPDATE

Mark Sanders, Chief Accountant, submitted a covering report on the 2019/20 audit process and EY's 2020/21 External Audit Plan, which was attached as an Appendix to the report.

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Maria Grindley and Adrian Balmer, EY, presented the draft Audit Plan for 2020/21 summarising the initial assessment of the key risks driving the development of an effective audit for the Council and outlining EY's planned audit strategy in response to those risks. The Committee would be updated on the ongoing planning procedures, if there were any significant changes or revisions at its next meeting. The external auditors provided their assessment of the audit risks and key areas of focus.

The Committee was asked to confirm its understanding of, and agreement to, the materiality and reporting levels in the 2020/21 accounts. For planning purposes, group materiality for 2020/21 had been set at £5.615m, which represented 1% of the Council's 2020/21 unaudited group gross expenditure on provision of services. In relation to single-entity materiality for 2020/21 this had been set at £4.73 million, which represented 1% of the Council's 2020/21 unaudited gross expenditure. Both group and single-entity materiality would be reassessed throughout the audit. Maria Grindley explained that materiality had been set quite low due to the need for assurance that the issues identified with the finalising accounts over previous years had been corrected. The expectation would be that as fewer accounting errors were found the materiality threshold could rise, which could reduce the amount of testing and work required to complete the audit.

Resolved:

- (1) That EY's update on the accounts process be noted;**
- (2) That the 2020/21 External Audit Plan be noted;**
- (3) That the group and single-entity materiality and reporting levels in the 2020/21 accounts be agreed.**

36. HOUSING BENEFIT & COUNCIL TAX SUPPORT SCHEME - RISK BASED VERIFICATION POLICY 2023/24

Samantha Wills, Revenues & Benefits Manager, submitted a report recommending that the Council continued to use its Risk Based Verification (RBV) process in 2023/24. The scheme enabled the processing of claims for Housing Benefit payments and Council Tax Support awards to be streamlined, thereby enabling customers to receive payments sooner. The approach also helped to mitigate risk and fraud entering the system.

The report explained that all local authorities opting to apply risk-based verification were required to have in place a Policy detailing the risk profiles, verification standards which would apply and the minimum number of claims to be checked. The Policy must be reviewed annually but not changed in-year and it was considered good practice for the Policy to be examined by the authority's Audit and Governance Committee. The report highlighted that the Council's Risk-Based Verification Policy principles remained unchanged from 2022/23.

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The Risk-Based Verification Policy 2023/24 had been appended to the report for endorsement but had not been published because it contained exempt information as defined in Paragraph 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

Resolved:

- (1) That the Risk-Based Verification Scheme 2023/24, as appended to the report, be approved;**
- (2) That the continued use of a Risk-Based Verification approach to evidence supporting claims for Housing Benefit and Council Tax support in 2023/24 be approved.**

(The meeting commenced at 6.30 pm and closed at 8.00 pm)