

## AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 12 APRIL 2023

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

**Apologies:** Councillor G Dennis.

### **37. MINUTES OF THE PREVIOUS MEETING HELD ON 24 JANUARY 2023**

The Minutes of the meeting held on 24 January 2023 were confirmed as a correct record and signed by the Chair.

### **38. 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 January to 31 March 2023 (Quarter 4).

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 three audit reviews had been finalised in the period with two receiving positive opinions and one receiving a limited assurance opinion. The specific areas looked at were:

- Commercial Assets & Investments (Reasonable Assurance opinion given);
- Housing Revenue Account (Follow up) (Substantial Assurance opinion given); and
- Direct Payments (Limited Assurance opinion given).

The audit of Direct Payments had identified some process weaknesses, such as payment account setups not being authorised and checked, along with delays in the monitoring of user accounts, which had resulted in a 'limited assurance' opinion. There had been a strengthening in the separation of duties between setting up and monitoring accounts, but there were some poor procedural practices and compliance issues in the completion of system documentation that should be improved to support this further and provide an audit trail.

The report also detailed the audits that were currently in progress and gave a summary of investigations work that had taken place between 1 January and 31 March 2023.

#### **Resolved:**

- (1) That the audit findings be noted, and the recommendations and management action underway, as set out in the Internal Audit & Investigations Quarter 4 Update Report, be endorsed;
- (2) That an appropriate officer be invited to attend either the next meeting on 20 July 2023 or the subsequent meeting on 27 September 2023 to reassure the Committee that progress had been made to correct deficiencies in the Direct Payments' processes that had been identified by Internal Audit as requiring improvement and that the Audit

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Recommendations, as described in Minute 45 below, had been implemented.

### 39. INTERNAL AUDIT PLAN 2023/2024 & INTERNAL AUDIT CHARTER

Paul Harrington, Chief Auditor, submitted a report setting out the work Internal Audit was planning to undertake during the financial year 2023/2024. The report explained that internal audit was responsible for providing an annual formal opinion on the Council's control environment. The Audit Plan, which was attached at Appendix 1 to the report, would allow for the effective discharge of this responsibility. In accordance with the Accounts and Audit Regulations and the Public Sector Internal Audit Standards (PSIAS), the Committee was asked to approve and monitor progress against the internal Audit Plan. The report also had attached at Appendix 2 the Internal Audit Charter which set out the purpose, authority, responsibility and scope of internal audit. The PSIAS intended to ensure sound corporate governance and set out roles and responsibilities for internal audit services. The PSIAS required an Internal Audit Charter to be in place, which must be reviewed periodically and presented to the Committee for approval.

**Resolved:** That the Audit Plan and Internal Audit Charter for the period April 2023 to March 2024, be approved, as attached to the report at Appendices 1 and 2 respectively.

### 40. STRATEGIC RISK REGISTER QUARTER 4/ QUARTER 1 2022/23 - 2023/24

Robin Pringle, Health, Safety & Risk Management Lead, presented a report outlining the Q4 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. The Risk Register covered the actions completed by the Council during Q4 and the risk ratings for Q1 of 2023/24. The SRR had been reviewed by CMT in March 2023 and no risks had been removed or de-escalated to the relevant Directorate Risk Register. There had also been no new risks added to the SRR.

The report stated that Risk Management Training had been delivered to Councillors on 2 February and 30 March 2023. Both training sessions had provided 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 Q4 (March 2023), be noted.

### 41. 2022/23 QUARTER 3 PERFORMANCE AND MONITORING REPORT

Stuart Donnelly, Financial Strategy & Planning Manager, submitted a report, which had been considered by Policy Committee on 13 March 2023 (Minute 62 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 3 (December 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:

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Appendix 1 - Financial Monitoring for Quarter 3;  
Appendix 2 - Capital Programme for Quarter 3;  
Appendix 3 - Debt Write-offs;  
Appendix 4 - Corporate Plan Measures for Quarter 3;  
Appendix 5 - Corporate Plan Projects for Quarter 3;  
Appendix 6 - Corporate Plan Measures Charts for Quarter 3.

**Resolved:** That the 2022/23 Quarter 3 Performance and Monitoring Report and the recommendations set out and approved by Policy Committee on 13 March 2023 be noted.

### 42. CIPFA FINANCIAL MANAGEMENT CODE

Stuart Donnelly, Financial Planning & Strategy Manager, submitted a report on the Financial Management Code 2019 (FM Code) (Appendix 1), which had been introduced by the Chartered Institute of Public Finance & Accountancy (CIPFA). The Code set out the standards of financial management for local authorities. Local authorities had been expected to comply fully with the FM Code from 1 April 2021, with 2020/21 effectively being a shadow year. The Guidance to the Code (Appendix 2) expected Authorities to be able to provide evidence that they had reviewed their financial management arrangements against the standards and that they had taken such action as may be necessary to comply with them. Effectively, an annual self-assessment exercise had been required to assess compliance with the FM Code from 1 April 2021

The 2022/23 self-assessment had identified significant progress against three key areas:

- i) The Chief Auditor's annual assurance report had improved from Limited Assurance to Reasonable Assurance;
- ii) The positive findings of the Corporate Peer Challenge (as set out in paragraph 8.18), organised by the Local Government Association (LGA), that had taken place in June 2022; and
- iii) The Medium-Term Financial Strategy (MTFS), which had been approved by Council in February 2023, delivered a balanced budget in 2023/24 without the need to draw on reserves and set out a provisionally balanced budget for 2024/25.

As a result of these improvements, this self-assessment had identified that two standards (standards C and E) had improved from a previous rating of 'Amber' to 'Green'. All other standards remained as per the 2021/22 assessment. A proposed action plan, setting out the required actions to improve those standards rated 'Amber' to 'Green' was set out in Appendix 3.

**Resolved:** That the findings of the 2023/24 Financial Management Code Self-Assessment be noted.

**43. 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. The report stated that implementation of the new system had been delayed until Autumn 2023 to ensure that it would be fully operational at the point of 'go-live'. The revised project plan took into consideration resource availability, the impact of other system projects and dependencies on third parties. The plan included completing Integrated System Testing and Data Migration by the end of June 2023. User Acceptance Testing training and a cut-over rehearsal would then take place during the Summer, with the final cut-over work delivering an Autumn 2023 'go-live'. The revised plan was currently being reviewed by independent consultants to consider robustness and deliverability. The Project Team was meeting daily, with weekly meetings chaired by the Director of Finance to track progress.

**Resolved: That progress of the implementation of the new Finance System be noted.**

**44. INFORMATION GOVERNANCE QUARTERLY UPDATE**

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 completion of a contract for redaction software; the improvement in on-time responses to FOI requests to 77.2% and the ongoing work 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; 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 focus would be on the FOI Process mapping to support the organisation to respond to FOIs on time; meeting with the BfC and DACHS Data Stewards to start work on the IG Action Plan; and roll out communications to encourage staff to complete the required training set out in paragraphs 3.21 and 3.22 of the report by the end of June 2023.

**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.**

**45. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER**

Charlie Stewart, Executive Director of Resources, presented a report setting out a summary of Internal Audit recommendations and updated management responses since

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the last Committee. At the last meeting on 24 January 2023, it was agreed to focus only on audit recommendations with either a 'limited' or 'no assurance' opinion in the tracker report which was attached at Appendix 1. This meant that there were currently no comparison figures available and trends would start to be included in the next report in July 2023. In addition, it had been previously agreed that priority 3 recommendations would not be added to the tracker, as these were advisory points made by the Chief Auditor, which would allow the Committee to focus on the high to medium risk recommendations.

Prior to reporting to Committee, officers responsible for implementing the specific recommendations had been asked to update the audit tracker. Each recommendation had been marked with a percentage complete, which correlated to a red (up to 25%), amber (26%-75%), or green (76%+) rating. However, any recommendations that were less than 50% complete but had exceeded their agreed completion date had also been marked red. There were 49 recommendations currently on the tracker, of which nine had been completed since the last meeting and would be removed prior to the next meeting. Eleven recommendations had been added to the tracker since the last report.

The Committee noted the Audit Recommendations (ARs) 297-304, which referred to Direct Payments (see Minute 38 above), set out the action expected to address the limited assurance opinion given by Internal Audit. The Committee also noted that the status of ARs 299-302 was 'red'.

**Resolved:** 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.

### 46. CLOSING FINANCIAL ACCOUNTS UPDATE

Mark Sanders, Chief Accountant, provided a verbal update on closing the financial accounts. He explained that three sets of accounts (2019/20, 2020/21 and 2021/22) were being worked on concurrently. The Committee was advised that sign-off of the 2019/20 accounts was now imminent and assuming there were no last-minute alterations, it was anticipated that the audit opinion would be 'unqualified'. This outcome would be hugely beneficial for budget planning and the speed of conducting audits in future years, as confidence in the data increased. The focus of work had now transferred to the 2020/21 accounts and preparatory work was underway on 2021/22 accounts with the draft accounts expected to be submitted to Committee on 20 July 2023.

**Resolved:**

- (1) That the imminent sign-off of the audit of the accounts for 2019/20 be welcomed and the continuing work on the accounts for 2020/21 and 2021/22 accounts be noted;
- (2) That Finance & Accountancy Teams be thanked and recognised for the considerable volume of work that had been necessary to reach the current position in relation to the three sets of outstanding accounts and

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in particular the likely achievement of an 'unqualified' opinion in relation to the 2019/20 accounts.

### 47. 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.

Maria Grindley and Adrian Balmer, EY, presented the draft Audit Plan for 2020/21 summarising the 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 external auditors explained their key areas of focus and that they were aiming to bring an updated version of the Audit Plan to the next meeting on 20 July 2023.

The Committee noted that the Chair's signature to the Management Representation Letter set out in Appendix E to the Audit Plan report would be to confirm it had been received by the Committee and that a clarification would be added to the letter to that effect.

#### **Resolved:**

- (1) That EY's update on the accounts process be noted;**
- (2) That the draft 2020/21 External Audit Plan be noted.**

(The meeting commenced at 6.30 pm and closed at 7.53 pm)