

## AUDIT AND GOVERNANCE COMMITTEE MEETING MINUTES - 20 JULY 2023

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

### **1. MINUTES OF THE PREVIOUS MEETING HELD ON 12 APRIL 2023**

The Minutes of the meeting held on 12 April 2023 were confirmed as a correct record and signed by the Chair.

### **2. CLOSING FINANCIAL ACCOUNTS UPDATE**

The Committee received a report on the completion of the audit of the Council's Final Accounts for 2019/20, and the audit progress on the 2020/21 accounts. The report also gave a progress update on the 2021/22 accounts.

Since the last meeting, the Council's 2019/20 audit of accounts had been signed off and the Notice of Conclusion of Audit had been published on the Council's website. This was a significant milestone for the Council as an "unqualified opinion" had been received on the financial statements for the first time since 2015/16, which showed EY, the Council's external auditors, had formally recognised the improvements in financial reporting. The External Auditor had begun the process to confirm their audit fees for 2019/20 which would involve further discussion with Public Sector Audit Appointments and subsequently with the Council. The Committee would be advised of the final costs when they were confirmed. The focus of the work would now turn to the conclusion of the 2020/21 audit, which had been progressing well and the production of the 2021/22 and 2022/23 Accounts.

#### **Resolved:**

- (1) That the completion of the 2019/20 audit of accounts, the progress made on the audit of the accounts for 2020/21 and production of the 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 in particular the achievement of completing the 2019/20 accounts with an 'unqualified' opinion from the external auditors;**
- (3) That the Director of Finance be asked to convey the Committee's disappointment at the absence of the external auditors at the meeting as the Committee members valued EY's representatives' contributions and it would have been particularly interesting to hear their views on the significant progress that had been made in completing the 2019/20 accounts and the audit of the accounts for 2020/21 and production of the 2021/22 accounts.**

### **3. INTERNAL AUDIT ANNUAL ASSURANCE REPORT**

The Committee considered a report setting out at Appendix 1 the Internal Audit Annual Assurance Report of the Chief Auditor, as required by the Accounts and Audit regulations and the Public Sector Internal Audit Standards. The report gave the Chief Auditor's opinion

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on the overall adequacy and effectiveness of the organisation's governance arrangements, risk management and internal control environment, drawing attention to any issues particularly relevant to the preparation of the Annual Governance Statement. It also set out key themes arising from the work of the Audit Team during the 2022/2023 financial year, and compared the audit work undertaken with that planned, summarising the performance of the Internal Audit function against its performance measures and targets.

The report explained that, based on the work completed during the year, the Chief Auditor had concluded, that whilst no assurance could ever be absolute, he could give 'Reasonable Assurance' that arrangements to secure governance, risk management and internal control were in place in 2022/23. The basis for the assurance opinion was set out in section 2 of the Annual Assurance report and the key areas for improvement identified during the audit work were set out in section 4. The opinion did not imply that Internal Audit had reviewed all risks relating to the organisation and assurances should also be taken from other appropriate sources.

The Committee noted that management responses within 15 days of Internal Audit issuing a draft report had fallen from 46% in 2021/22 to 39% in 2022/23. Managers were expected to meet the 15-day target on at least 75% of occasions where a draft report had been received.

### **Resolved:**

- (1) That the assurance opinion given by the Chief Auditor and the issues raised in the annual report be noted;**
- (2) That Assistant Directors be advised that the Committee expected that there would be a significant improvement in responding to Internal Audit draft reports within 15 days in 2023/24, compared with the disappointing 39% response-rate achieved in 2022/23 within the target timescale.**

### **4. INTERNAL AUDIT QUARTERLY PROGRESS REPORT**

The Committee considered a report providing an update on the key findings emanating from the Internal Audit reports issued for the period 1 April to 30 June 2023 (Quarter 1).

The report summarised the findings, recommendations and management actions that had been put forward for each audit review and stated the overall assurance opinion level given by the Internal Audit team. A total of seven audit reviews had been finalised in the period with two receiving substantial assurance opinions and two receiving a limited assurance opinion. The specific areas looked at were:

- Accounts Payable (Substantial Assurance opinion given);
- Budget Setting/ Monitoring (Substantial Assurance opinion given);
- General Ledger (Reasonable Assurance opinion given);
- Client Contributions Follow up (Reasonable Assurance opinion given);
- Inflationary Uplifts Follow up (Reasonable Assurance opinion given);
- Housing Repairs (Limited Assurance opinion given); and

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- Cyber Security (Limited Assurance opinion given).

The audit of Housing Repairs had identified several areas with scope for improvement, caused by a lack of compliance and inconsistencies with various processes followed. In relation to Cyber Security, the audit identified that there were weaknesses in the internal configuration of the ICT estate. The Executive Director of Resources reported that the results of the Cyber Essentials Plus Audit would be available in the next couple of weeks and the outcome of the Future Government Audit, which was a more in-depth trial with central Government and other local authorities, was expected to be received in the next few months.

The report also detailed the audits that were currently in progress and gave a summary of investigations work that had taken place between 1 April and 30 April 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 the Assistant Director for Housing & Communities be invited to attend the next meeting on 27 September 2023 to reassure the Committee that progress had been made to correct deficiencies in the Housing Repairs processes that had been identified by Internal Audit as requiring improvement;**
- (3) That a composite Cyber Security report be submitted to a future meeting within the current Municipal Year, bringing together the information included within the Strategic Risk Register and Audit Recommendations tracker reports and feedback from the Cyber Essentials Plus and Future Government Audits and the internal audit follow-up assessment if it had been carried out.**

### **5. STRATEGIC RISK REGISTER QUARTER 1 /QUARTER 2 2023/24**

The Committee considered a report outlining the Quarter 1 (Q1)/ Quarter 2 (Q2) 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 Q1 and the risk ratings for Q2 of 2023/24. The SRR had been reviewed by CMT on 6 June 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 to embed risk management principles across the Council, six training sessions had been organised for managers before the end of the calendar year with eight further sessions yet to be arranged. Councillors had received risk management training on 2 February and 30 March 2023 and further sessions were being planned for later in the year.

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### Resolved:

- (1) That the Council's Strategic Risk Register, as at the end of Q2 (June 2023), be noted;
- (2) That officers be asked to review the information provided in the report and Strategic Risk Register summary and make a proposal on how to focus on the risks in most need of the Committee's attention, which could include:
  - (i) expanding the commentary in the existing mitigations section of the SRR;
  - (ii) commissioning more detailed separate reports on individual risks;
  - (iii) providing more detail in the covering report about relevant issues requiring further consideration.

### 6. ANNUAL TREASURY MANAGEMENT REVIEW 2022/23

The Committee considered a report on the Council's Treasury Management Strategy and Annual Investment Strategy for 2022/23. The Treasury Management Strategy required an Annual Outturn Report reviewing the Treasury Management activity which had taken place during the year.

The report stated that the Council had continued to finance capital expenditure through maximising the use of capital receipts, capital grants and internal borrowing. During 2022/23 the Council had taken out short-term loans of £37m at an average interest rate of 4.125%, in line with the Borrowing Strategy. No long-term loans had been taken out during the year.

Overall, the Council had under borrowed by £212.832 million as at 31 March 2022. As a consequence, the Council had effectively avoided incurring external interest costs in the order of £8.194m during 2022/23, based on the average rate for the existing debt portfolio of 3.85%. Against the 2022/23 General Fund budget, there was an overall positive net variance of £3.508m on the Capital Financing budget. This budget included interest payable, interest receivable and Minimum Revenue Provision (MRP) and a charge to the revenue budget to pay off the principal sum of the borrowing to finance the Capital Programme.

The report confirmed that the Council had not breached any of its treasury management performance indicators during 2021/2022. The Borrowing and Investment portfolios were appended to the report for further information.

### Resolved:

- (1) That the Treasury Management Outturn Report for 2022/23 be noted;

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- (2) That members of the Committee be asked to contact the Director of Finance with suggestions as to how they would like to receive Treasury Management training this year, which could be:
- (i) a topic at one of the Member Briefings included in the Council diary and open to all councillors;
  - (ii) focused on Audit & Governance Committee members either as:
    - (a) an in-person session prior to a Committee meeting; or
    - (b) held virtually via Teams and recorded for repeat viewings, which could be made available to all councillors.

### 7. 2022/23 QUARTER 4 PERFORMANCE AND MONITORING REPORT

The Committee considered a report, which had been considered by Policy Committee on 10 July 2023 (Minute 18 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 4 (March 2023). 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 – General Fund Outturn;
- Appendix 2 – Housing Revenue Account (HRA) Outturn;
- Appendix 3 – Capital Programme Outturn;
- Appendix 4 – Savings;
- Appendix 5 – Delivery Fund;
- Appendix 6 – Reserves Position as at 31<sup>st</sup> March 2023;
- Appendix 7 – Corporate Plan Monitoring for Quarter 4 2022/23 (Measures & Projects);
- Appendix 8 – Corporate Plan Measures Charts for Quarter 4;
- Appendix 9 - Debt Write-offs.

**Resolved:** That the 2022/23 Quarter 4 Performance and Monitoring Report and the recommendations set out and approved by Policy Committee on 10 July 2023 be noted.

### 8. IMPLEMENTATION OF AUDIT RECOMMENDATIONS TRACKER

The Committee considered a report setting out a summary of Internal Audit recommendations and updated management responses, which focused on those recommendations where there had been either a 'limited' or 'no assurance' opinion. A summary of Internal Audit recommendations and updated management responses since the last Committee was attached to the report at Appendix 1.

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.

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There were 55 recommendations currently on the tracker, of which three had been completed since the last meeting and would be removed prior to the next meeting. Fifteen recommendations had been added to the tracker since the last report and nine had been removed as complete. The Committee was keen to make the tracker more streamlined and discussed whether the completed 'green' recommendations should be removed from the tracker or be presented in a different format.

The Director of Finance reported that implementation of the new Finance System had reached the user acceptance testing phase and was on course to 'go live' in the autumn. There would be a further progress update to the next meeting on 27 September 2023.

### **Resolved:**

- (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 officers be asked to review the information provided in the report and audit recommendation tracker and make a proposal on how attention could be concentrated on the issues in most need of the Committee's consideration.**

## **8. INFORMATION GOVERNANCE QUARTERLY UPDATE**

The Committee considered 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; the improvement in on-time responses to FOI requests to 81.4% 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 the compulsory Cyber Security training for all staff and Members, which would be followed-up to improve compliance.

The report stated that the current focus would be on continuing the work with the Data Stewards, the action plan work from the Breach Management process review, JLT action plan and the implementation of the redaction software.

**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.**

(The meeting commenced at 6.30 pm and closed at 8.02 pm)