



**Audit committee**

**16:30 to 17:50**

**12 July 2022**

Present: Councillors Price (chair), Driver (vice chair), Champion (substitute for Councillor Haynes), Everett, Kidman, Stutely (from item 5 below) and Wright<sup>1</sup>

Also present: Councillor Kendrick, cabinet member for resources

Apologies: Councillor Haynes and Sands (M)

**1. Independent Person**

The chair introduced David Harwood who as the Independent Person would be supporting the committee moving forward and was attending this meeting to observe the proceedings. The committee had discussed the appointment of an independent person previously. It was noted that this council was ahead of the other authorities in making this appointment before it became standard practice.

**2. Appointment of vice chair**

**RESOLVED** to appoint Councillor Driver as vice chair for the ensuing civic year.

**3. Declarations of interest**

There were no declarations of interests.

**4. Minutes**

**RESOLVED** to approve the accuracy of the minutes of the meeting held on 8 March 2022 and the extraordinary meeting held on 17 May 2022.

**5. Progress Report on Internal Audit Activity 2021-22**

The internal audit manager introduced the report (Appendix A) and referred members to the executive summaries of internal audit reports, issued during the period,

In reply to a member's question about the limited assurance for the Health and Safety internal audit review, the internal audit manager explained that the recommendations and actions had been agreed with management and that they were working towards an achievable timetable for delivery. It was clearly a priority and some progress had been made (as set out in Appendix 2, Health and Safety Draft Executive Summary, 1.7.)

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<sup>1</sup> The list of members listed as present was corrected on 6 October 2022

A member asked whether there had been an impact on Health and Safety by insourcing different services, and therefore introducing more diverse occupations, into the council. The internal audit manager said that there were control weaknesses around risk assessments which needed to be addressed across the council.

The executive director of community services confirmed that the Fire Risk Assessment at City Hall had been carried out and actions completed. The chair commented that the internal audit review had found that there was no documentary evidence that actions in previous assessments had been carried out and pointed out that this demonstrated that the implementation of controls to review key policies and procedures and improvements to contract management would improve this risk to the council going forward.

**RESOLVED to:**

- (1) thank the internal audit manager for the report.
- (2) note the progress in delivering the remainder of the 2020/21 Internal Audit Plan.

**6. Internal Audit Annual Report and Opinion 2021/22**

The internal audit manager presented the report, attached at Appendix A. The report was self-explanatory with the audit opinion of a reasonable assurance set out in paragraph 2.2 of the report. The report summarised the audit work undertaken during the year and the issues for inclusion in the Annual Governance Statement (AGS) (set out in section 3.5 of the report). The new arrangements for the internal audit service to be delivered through the consortium meant that there would be additional resources going forward. Members were referred to the appendices which set out the outstanding recommendations from internal audit reviews.

A member commented that the report provided a synopsis of issues covered at previous meetings and noted that a reasonable assurance had been provided. As discussed under the previous item the Health & Safety internal audit review had been the only one to receive a limited assurance and that recommendations would be taken forward in the AGS.

The independent person commented that the internal auditor's opinion of a reasonable assurance was without any caveats. However, the deferral of two audit areas, Payroll and Housing Benefits, to the 2022/2023 internal audit plan should be caveated. The internal audit manager agreed that these audit areas had been carried over and said that reference had been made to this in paragraphs 2.2, which sets out the annual opinion, and in paragraph 3.5.3. The independent person also commented that the CIPFA<sup>2</sup> guidance in 2020 had made provision for the disruption caused by Covid-19 and it seemed appropriate when it continued to be an issue that there was no reference to the pandemic in the annual report. The chair agreed that Covid had been a significant factor during the year. He also commented that it had been disappointing that the arrangements for the internal audit provision had meant that work on the internal audit plan for 2021/22 had been delayed and that this had meant that audit areas had been deferred. The internal audit manager

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<sup>2</sup> Chartered Institute for Public Finance and Accountancy

acknowledged that Covid had had been an issue in the year and that reference to it should have been made in paragraph 3.5 of the report.

The internal audit manager confirmed that the internal work undertaken this year provided adequate levels of assurance to issue the annual audit opinion. The new arrangements would ensure that the internal audit team could deliver the internal plan, subject to any changes required to cover new risks as required.

The chair thanked the internal audit manager for her report and the approach taken and welcomed that medium and high level audit recommendations were included in reports until actions were completed. The committee's work programme included a review of Key Policies and Procedures which would follow the completion of recommendations and actions following an internal audit review.

**RESOLVED**, in maintaining an overview as to the quality of systems of internal control in operation at the council, to note and approve the Internal Auditor's reasonable assurance and confirm that that key information provided is carried across to the Annual Governance Statement, which will be considered at the next meeting of the committee.

## **7. Code of Corporate Governance**

The head of legal and procurement (monitoring officer) presented the report. It was not a statutory document but was recommended as good practice in guidance from the Chartered Institute for Public Finance and Accountancy (CIPFA). The Code of Corporate Governance would feed into the draft Annual Governance Statement which would be published at the end of July and considered at the committee's September meeting.

During discussion, the head of legal and procurement answered members' questions. She explained that the AGS would have an action plan with dates for completion. It was noted that there had been a decision to avoid replication by listing the 27 areas for improvement in governance, identified by the internal audit team, in the AGS. The committee would have an opportunity to review this at its next meeting.

Discussion ensued on transparency and a member suggested that it would be useful for members of the public to see how members voted at council and committee meetings. Members were advised that there was provision for recorded votes in the constitution. Members could request a recorded vote, which would be recorded in the minutes. It was noted that it was a requirement that voting on the annual budget was recorded. It was also considered that the IT equipment for recording meetings provided poor visual quality and required investment to bring it up to standard, whilst acknowledging the financial challenges that the council faced.

A member welcomed the principle of taking a longer-term view with regard to decision making, as set out under on the table under "Sustainable economic, social and environmental benefits" (page 69 of the agenda papers), and commented on the intergenerational impact of decisions. The interim head of finance, audit and risk explained that the definition of the longer-term view depended on the "sustainable economic" situation when applied to different to strategies and policies. With regard to the Statement of Accounts, the Medium Term Financial Strategy (MTFS) was over

a five year period, whilst the Housing Revenue Account (HRA) was planned over a 30 year term, and pension liability over a much longer term.

The chair considered that all members of the council should have had the opportunity to participate in a workshop to consider the draft Code of Corporate Governance. He welcomed that it would be refreshed annually and included on the committee's work programme.

**RESOLVED** to approve the Code of Corporate Governance July 2022.

## **8. Contract Management Arrangements Review**

The head of legal and procurement presented the report. The committee had asked for a report at its November 2021 meeting on the council's contract management arrangements and the actions being taken to reduce the corporate risk.

The chair welcomed the report and said that the committee had concerns about contract management for several years which needed to be addressed. Lessons had been learned and these procedures would reduce the corporate risk across the council.

During discussion, the head of legal and procurement referred to the report and answered members' questions. There would be an internal contract management group to support colleagues involved with contract management and procurement share experience and best practice. In reply to a member's question, the head of legal and procurement said that the Department of Levelling Up, Housing and Communities (DLUHC) pioneer programme was valued at £7K of free support to the council and all staff involved in contract management or procurement could participate. Members were also advised that training would be ongoing and it would include contract monitoring or performance review.

**RESOLVED** to note the arrangements in place to support the council in managing its contracts.

## **9. Consideration of Treasury Management**

The head of legal and procurement presented the report.

The chair thanked the head of legal and procurement and the committee officer for the report. The creation of a treasury management committee had been discussed by the committee as part of its self-assessment exercise last year. Treasury management needed to be robust to meet the financial and economic challenges and support the council to deliver a balanced budget.

Councillor Kendrick, cabinet member for resources, endorsed the proposal to establish a treasury management committee with specific skills and agreed that it was important given the current financial position in relation to next year's budget.

It was noted that the report would be considered by the next meeting of the constitution working party (18 July 2022).

**RESOLVED** to ask the constitution working party to develop proposals for a treasury management committee, as outlined in paragraphs 12 and 13 of the report.

## **10. Annual Report of the Audit Committee 2021/22**

The chair introduced the report and said that both he and the vice chair had collaborated with the committee officer to produce the report. He considered that the report was an accurate reflection of the work of the committee in 2021/22.

**RESOLVED** to approve the content of the Annual Report of the Audit Committee 2021/22 and recommend that council adopts it.

## **11. Work Programme**

The chair introduced the report which would be a new standing item on agendas for future meetings.

During discussion members considered the value of the work programme and that it would be useful. Councillor Wright, chair of scrutiny committee, said that he found the scrutiny committee work programme invaluable as it helped focus the work of the committee. A member suggested that it would be useful to have an informal Teams chat set up before each meeting so that new members could ask questions about items on the agenda for the next meeting.

The head of legal and procurement referred to the discussion under item 7, Code of Corporate Governance and said that the AGS 2021-22 would be agreed at the committee's meeting on 21 March 2023 and therefore suggested that the committee held an informal discussion to review the Code the following week. She also referred members to paragraph 8 of the report and said that it had been agreed with the chair to bring forward a session on governance as part of the autumn member development programme and this could include awareness of the roles of the audit and scrutiny committees.

In reply to concern that there would be a delay in approving the AGS from the independent person, the head of legal and procurement said that it was the intention that the draft AGS 2021-22 would be published in July and considered at the next meeting. The external audit would be conducted in December and therefore the audited Statement of Accounts and AGS would be considered at the committee's March meeting. Once these had been agreed the committee would then review the Code of Corporate Governance. The interim head of finance, audit and risk confirmed that the AGS was a live document and would be continually updated throughout this period.

**RESOLVED** agree the work programme and note the arrangements to review the Corporate Code of Governance.

CHAIR