



Audit Committee

16:30 to 19:05

23 January 2024

Present: Councillors Price (chair), Driver (vice chair), Osborn, Prinsley, Sands (M), Thomas (Va), Thomas (Vi) and Wright and David Harwood (Independent Person)

Also present: Councillor Kendrick, cabinet member for resources
David Rigler, Ernst & Young (External Auditor)

Apologies: Councillors Everett and Francis

1. Public questions and petitions

There were no public questions or petitions.

2. Declarations of interest

None.

3. Minutes

RESOLVED to approve the accuracy of:

- (1) the minutes of the meeting held 21 November 2023;
- (2) the exempt minutes of the meeting held on 21 November 2023, subject to correcting an anomaly in a sum recorded in the minutes, to the amount agreed with members outside the meeting.

(The chair agreed to take the item on Cyber Assurance early on in the meeting to accommodate a request from officers.)

4. Exclusion of the Public

RESOLVED to exclude the public from the meeting during consideration of 5* (below) on the grounds contained in the paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

5. Cyber Assurance (paragraph 3)

The Infrastructure Support Security Manager presented the report and gave a presentation (attached to the agenda papers at item 11).

A member asked for a copy of the "LGA's 10 questions a councillor could ask" and noted that this would be circulated to members outside the meeting.

During discussion members asked questions about patching of older IT software systems and commented that rather than seeking assurance from software providers during the procurement or contract renewal process, there should also be a planned cyclical review of security issues around the installation of patches. The Infrastructure Support Security Manager confirmed that this was a piece of work that was being undertaken which would supplement the ad hoc reviews as contracts came up for renewal.

Members noted that an exercise to ensure that officers were aware of phishing had been carried out. The purpose of this was not to embarrass officers but to identify where officers required further support or training.

Discussion ensued on network security and the specific needs of councillors. Members were advised that Outlook was not intended to store emails and that councillors' capacity had been increased to the same level as the executive directors. Members were advised that external devices should not be used to save council information. A member pointed out that some councillors accessed the network through their own laptops using CITRIX and an authenticator, and that this was an option for members who disliked the council's laptops.

The committee noted the dashboard and fluctuations in spam emails received.

The committee considered the frequency of the report and considered that an annual report would be sufficient. Cyber security was a corporate risk and therefore reported to committee twice yearly in the Risk Management report. Members agreed that the committee should be informed of major breaches to cyber security when they occurred. Councillor Price moved and Councillor Sands seconded that the committee should be updated of any major cyber security breaches as soon as practical, and on being put to the vote was agreed unanimously.

The committee noted that the council had received external validation by a global insurance brokerage and risk management service on its approach to cyber risk and continued improvements.

RESOLVED to:

- (1) note the report;
- (2) that the committee receives an annual report on Cyber Assurance;
- (3) that the Head of Customers, IT and Digital will report to the next available committee on any major breaches of Cyber Security.

Actions:

- (1) copies of the LGA's 10 questions will be circulated to members.

(The committee returned to public session at this point.)

6. Progress Report on Internal Audit Activity 2023-2024

The Interim Head of Finance, Audit and Risk presented the report. Progress against the internal audit plan was significantly behind where it was expected to be. This

was due in part to competing priorities as officers' focus was on the delivery of a major transformation programme across the council, as well as budget setting and closure of the accounts. Some actions arising from the Internal audit recommendations had been completed and were awaiting formal sign off.

The chair commented on the progress of the internal audit plan and whether completing 54 per cent of the plan at this stage in the year would be sufficient for the Head of Internal Audit to provide an audit opinion. The External Auditor commented that it was not unusual for items to be moved to the following year and that several items would be completed in the last quarter. External auditors did not rely on the work of internal audit, and would review the Annual Governance Statement (AGS) and consider whether the overall control environment of the council was adequate.

The Head of Finance explained the new process in place to sign off recommended actions. The senior leadership team (SLT) would consider progress at monthly meetings. The finance team now had access to the internal audit contractors software so could update the tracker to assist internal audit. Members noted that since the publication of the report, several managers had responded that actions had been completed and these were awaiting validation from the internal audit contractors. Whilst acknowledging the pressures officers were under, members considered that it would be useful if the tracker recorded the dates that managers were asked for an update, and when they had responded.

In reply to a member's question, the Interim Head of Finance confirmed the arrangements to ensure that there was a purchase order for every payment and said that this would be a more efficient process going forward.

The Interim Chief Finance Officer referred to paragraph 4.6 of the appended report, and said that there had been an investigation into potential fraud. The committee's chair had been kept informed throughout the process. The chair confirmed that he was satisfied that the incident had been dealt with in a robust and appropriate manner by the executive director.

Discussion ensued on the outstanding items and the need to ensure that actions that were over 12 months out of date were closed. The Head of Finance had escalated these to the Chief Executive and executive directors. The committee noted that there was a resource issue in the council, and whilst some actions were not so significant, there was concern about the actions relating to antisocial behaviour and the culmination of other outstanding actions which created a risk to the council. The chair suggested that by the end of the first quarter 2024/25, managers would be required to attend committee and explain why there were actions that had been outstanding for over 12 months. Members considered that 4 to 5 months was sufficient time to sort it out. The Independent Person said that he considered that by not implementing internal audit's recommendations, the council effectively accepted the risk and that reference to this should be made in Annual Governance Statement (AGS). The Interim Head of Finance pointed out that the Chief Executive and SLT reviewed the tracker monthly and would prioritise any outstanding actions that were a risk to the council.

The Independent Person referred to the five audits that had been deferred to 2024/25 and asked members whether they were satisfied with around a 20 per cent reduction in the number of "internal audit days", as this was the second year that the numbers of days had been reduced. The chair said that it was a case of identifying

the risk but that members wanted more audits rather than less to provide assurance in the AGS. The Interim Head of Finance said that it was not a case of reducing the audit plan by 20 per cent but that audits were taken on a priority basis. There had been a small reduction in days. The audit process was delayed because the council's officers did not have the resources to support the audits. This made it difficult for the internal audit contractors to do their part. There were different reasons to defer each of the five audits as set out in the table. Members noted that this was not due to a lack of focus from officers but was indicative of the pressure that local government resources were under.

In reply to a question from the Independent Person, the Head of Finance explained that the outstanding action in relation to Housing Benefits and reconciliation with the HFI rents system to the General Ledger (Appendix 6 – Outstanding Internal Audit Recommendations 2022/23) had now been completed. The statement that the system was still being developed was incorrect due to an administrative update error on the spreadsheet.

The Independent Person then referred to paragraph 4.6 of the report and said that he would like to see the details of the formal investigation in writing rather than being informed verbally at the meeting. The Interim Chief Finance Officer agreed to provide a report to the next meeting.

The chair referred to the minutes of the last meeting and asked why the outcomes of the internal audit reviews on Environmental Sustainability, Housing Repairs and Void Management (NCSL), and Contract Management were not included in the papers for this meeting. The Interim Head of Finance explained that the audits were close to completion but had not been ready to report to this committee meeting.

Discussion ensued on whether reports on internal audit reviews should be attached to the agenda papers. The chair considered that it was beneficial to view the whole reports. The summaries of outcomes focused on the key points and helped the committee understand where the weaknesses were. The Interim Chief Finance Officer said that he considered that the summaries got the balance right and that the committee should focus on the internal audit recommendations. The chair reiterated that he liked to see full reports and that these were provided to him on request. The reports provided him with assurance of the actions that were being undertaken by the executive leadership team (ELT). The Independent Person agreed that members wishing to see an internal report should email a request to the Head of Internal Audit.

The Independent Person referred to the Safeguarding internal review and said that there should be an internal audit review of mandatory training across the council, including the checks and balances regarding uptake and appropriateness to the role of the officer. He suggested that this would provide the committee with assurance that officers were aware of procedures.

RESOLVED to:

- (1) receive the report in relation to the completion of the Internal Audit Plan 2023/24 and the position in relation to the completion of agreed internal audit recommendations as at 31 December 2023;
- (2) note that the responsible officers for actions arising from internal audit reviews that have been outstanding for 12 months or more, will be required to attend

the July 2024 committee meeting and explain the reasons for the recommendations not being implemented;

- (3) note that the committee has asked for a written report on the outcome of the investigation into potential fraud, as outlined in paragraph 4.6 of the appended report;
- (4) note that the committee expects the next Internal Audit progress report to include executive summaries of the following internal audit reviews:
 - a) Environmental Sustainability;
 - b) Housing repairs and void management (NCSL);
 - c) Contract Management
- (5) that consideration is given to including an internal audit review of mandatory training across the council in the next year's audit plan.

(Councillor Prinsley and the Interim Chief Finance Officer left the meeting at this point.)

7. Statement of Accounting Policies and State of External Audit

The Interim Head of Finance presented the report. He pointed out that the Treasury Management Committee had considered the proposed change to MRP which would be considered by full council (30 January 2024). No other changes to the accounting policies were recommended. The statutory deadline for submission of draft accounts was 31 May.

During discussion the Interim Head of Finance said that the council operated in a prudent manner and confirmed that this was in accordance with CIPFA practice. The change in the de minimus level for capital expenditure was £100,000, where decisions were made at senior level, did not require a change to the accounting policies.

The External Auditor addressed the committee and updated members on the sector wide situation regarding local government external audits slipping back and the need to get on track. The auditors had written to the select committee, S151 officers and chief executives with its proposals to achieve the position previously in place. They were proposing a consistent approach across all the councils that they audited for the 2023/24 accounts so that they could move forward, and were waiting for guidance from the Department for Levelling Up, Housing & Communities

Discussion ensued in which members considered that the council's accounts for 2022/2021 and 2022/2023 had not been audited but acknowledged that there were other councils that had not been audited for 8 years. The chair commented that this situation presented a risk to councils. The External Auditor agreed and said that this was why it was proposed to reset the system and provide the maximum assurance that it could. It was a significant policy decision to just provide a value for money statement on the accounts that had not been audited. The auditors would not be delving into the accounts. Members who commented were broadly in support of this approach noting that one member had recommended that the previous years' accounts were not audited to allow the external auditors to get back on track. The External Auditor confirmed that it was not a decision that was being taken lightly and would require changes to the regulations to be enacted on a once off basis.

A member commented that this council complied with the statutory deadlines and produced good accounts. Many councils were in financial difficulties and had not been audited for several years. The External Auditor said that in cases where the quality of the accounts was so poor that the auditors could not form a qualified opinion on the accounts by a certain date, or “backstop,” then the audit would not continue, and the auditors would move on to another authority’s accounts. The chair commented that the lack of external validation of the accounts was a concern and created a risk.

The External Auditor, the Interim Head of Finance and Head of Finance advised the committee of the process following the publication of the draft Statement of Accounts on 31 May 2024. Members were advised that the council’s new finance software would be installed in February and that this was the only risk to the council that the draft accounts would not be completed by the statutory deadline. External audit had met with officers in November to ensure that the council was aware of what was required. It was important that external audit did not come in until councils were ready and following workshops would gauge the level of support that councils needed.

In reply to a member’s question, the External Auditor pointed out that following the renewal of the contract, there had been a significant increase in the fees.

RESOLVED having reviewed the report to note it.

(Councillors Thomas (Va) and Thomas (Vi) left the meeting at this point.)

8. Work Programme

Members noted that the work programme had been amended to include the reports on NCSL assurance mapping and governance requested by the committee at its last meeting. A draft work programme for the next civic year would be included in the work programme report at the March meeting.

The Interim Head of Finance said that there should be a paper on the new global Internal Audit Standards to a future meeting.

RESOLVED to:

- (1) agree the work programme;
- (2) note that the work programme will include the draft work programme for the next civic year;
- (3) add a report on Global Internal Audit Standards to a future meeting of the committee.

CHAIR