

AUDIT AND MEMBER STANDARDS COMMITTEE

11 NOVEMBER 2021

PRESENT:

Councillors Spruce (Chair), Ho (Vice-Chair), Norman, Robertson, White and M Wilcox

79 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Joanne Grange and Councillor Silvester-Hall.

80 DECLARATIONS OF INTEREST

Councillor Wai-Lee Ho declared a personal interest in any discussion relating to Burntwood Leisure Centre within agenda item 5.

81 MINUTES OF THE PREVIOUS MEETING

The Minutes of the Meeting held on 22 September 2021 previously circulated, were taken as read and approved as a correct record.

82 LOCAL AUDIT UPDATE

Anthony Thomas (Head of Finance and Procurement) provided an update on the invitation to become an opted-in authority for the five-year period 1 April 2023 to 31 March 2028.

The Audit & Member Standards Committee had previously been provided with an update on the Redmond Review and the Government's initial response on the 3 February 2021, with a further Local Audit Update on the 22 September 2021.

Anthony Thomas highlighted the Local Government Association (LGA) narrative on their reasons for the national framework remaining the best option for councils, including but not limited to, a reduced administrative burden on the council and easily demonstrable independence of the council's audit process.

RESOLVED: - (1) The Audit & Member Standards Committee approved the recommendation to Council to become an opted in authority in accordance with the regulations.

83 MID-YEAR TREASURY MANAGEMENT REPORT

Anthony Thomas (Head of Finance and Procurement) provided an update on the projected mid-year Treasury Management performance in 2021/22. This update follows the Treasury Management Strategy Statement considered by the committee on 3 February 2021.

Anthony Thomas outlined some of the key points of the report to the committee:

- Capital expenditure is projected to be lower than the Approved Revised Budget. This is mainly due to the delayed coach park enhancement and ICT projects now forming part of the [Better Council Programme](#).

- Capital receipts are projected to be higher than the Approved Revised Budget. This increase is related to the Council's share of the Right to Buy sales from Bromford Housing Association.
- The Capital Financing Requirement is higher than budgeted mainly because not all funding required for the leisure centre early repayment has currently been identified. Alternative funding options are being explored, such as potential redirection of s106 monies.
- Investment balances at the end of March 2022 will be higher than the original budget, there are number of factors to this, including a high level of unapplied grants, some of which are being reclaimed by central government.
- There is a 'book gain' with the councils strategic investments

The Committee requested additional information on the figures outlined in 3.12 of the report. Anthony Thomas acknowledged that Right to Buy Sales fluctuate based on demand and therefore these figures are based on the most recent information provided by Bromford and that receipts are treated as windfall receipts.

The Committee requested additional information on the annual net gain of investments when accounting for the current rate of inflation. Anthony Thomas highlighted the information at item 3.41 of the report and outlined that accounting for inflation would give a negative return as it is such a high level. He also highlighted that any investment which provided a higher yield than 0.85% would likely be a higher risk investment.

The Committee requested assurances that the investment portfolio held by Lichfield District Council would be secure from any potential impact of broader financial issues experienced by other countries. Anthony Thomas provided assurances that the framework used to invest monies means it is unlikely that this would impact Lichfield District Council's investment portfolio.

The Committee requested further information on the reassessment of the pension long-term obligation by the Actuary at the 31 March 2021. Anthony Thomas confirmed that while there are secondary opinions obtained by the Actuary, Lichfield District Council do have an opportunity to change contribution levels every three years. The contribution step based and the preferred contribution level by the Actuary, which mitigates the impact in future years.

The Committee requested further information on whether construction related capital budgets would need to be increased to account for increases to construction inflation. Anthony Thomas agreed to ensure meetings were held with each Head of Service to make this assessment and account for any cost increases in the draft MTFS.

The Committee requested further information on the benefit of increasing the level of investment made within the Strategic Funds due to the higher rate of return compared to other investments. Anthony Thomas confirmed that this is under review and there will be a proposal through the Investment Management Strategy to increase the investment from ten million pound to fifteen million pounds. Additionally, the option to repay the External Loans from the PWLB to generate revenue savings was highlighted. Anthony Thomas indicated that this was actively being considered for the shorter period Annuity loan given the low level of early repayment premium.

RESOLVED: - (1) The Audit & Member Standards Committee reviewed and noted the report.

84 INTERNAL AUDIT PROGRESS REPORT

Andrew Wood (Internal Audit Manager) provided the Committee with an update on the progress of the internal audit work programme.

Andrew Wood highlighted the following:

- 6% of the Audit Plan has been completed against the profiled completion of 50%.
- 44% of the Audit Plan has been completed to draft or completion stage. At present there are four audits Shared Service (Joint Waste, Legal Services), IT Microsoft 365 and IT Remote Access which complete and draft reports issued to management. Grants and Council Tax audits are currently in progress.
- 6 audits have been scheduled for Quarter 3, a further 4 audits in Quarter 4

Andrew Wood provided assurances that where limited assurances had been indicated, further work has been completed and as a result are now are reasonable or substantial assurances.

The Committee raised the concern that there is a risk that outstanding audits may not be completed with consistent scrutiny due to the number of outstanding audits remaining within the work programme. The Committee have therefore requested confirmation of the likely percentage of completion at the next meeting.

RESOLVED:- (1) The Audit & Member Standards Committee noted the report

85 RISK MANAGEMENT UPDATE

Andrew Wood provided the Committee with a Risk Management Update including the updates to the Strategic Risk Register as at October 2021 (agreed with Leadership Team) and the key changes since the last update to the Committee in July 2021. The Strategic Risk Register is reviewed by Leadership Team on a monthly basis to ensure all identified risks are regularly and routinely reviewed.

Andrew Wood highlighted the following:

- Strategic Risk 3 mitigating actions have been applied to the risk in relation to resilience within the service
- Strategic Risk 4 has decreased as there has been an increase in resilience within the service
- Strategic Risk 7 has increased due to the increase in the number of sophisticated phishing attacks. Multi factor authentication has been introduced across Lichfield District Council to mitigate this risk.

The Committee acknowledged the impact the Covid-19 pandemic has had on the Council's 7 strategic risks and that this is a primary reason for the increase in the level of each risk, which has resulted in none of the risks falling within the green area of the grid at item 3.5 of the report.

The Committee noted the budget allocated to the new 'Better Council' programme and outlined their aspiration for this programme and budget being utilised to mitigate the strategic risks strategic risk 7.

Andrew Wood provided assurances to the Committee that the increase in cyber-attacks is world-wide and ICT are working to increase the awareness of phishing attacks with all members and staff. He confirmed that actions are being taken to mitigate these risks and Leadership are reviewing all strategic risks on a monthly basis.

The Committee requested the risk owner should be the responsible Cabinet member to ensure political oversight is maintained.

The Committee acknowledged the changeable guidance provided in relation to the use of meeting spaces during the Covid-19 pandemic and requested oversight of all risk assessments undertaken in relation the Councils meetings. Internal audit will review these risk assessments.

The Committee raised concerns in relation to the potential reputational risk if there are delays or significant changes to the commitment made to develop a new leisure centre. This will be reflected within the report within strategic risk 1 going forward, inclusive of any new information which may arise through other Committees.

RESOLVED: - (1) The Audit & Member Standards Committee noted the report.

(2) The Chair will provide an update to the Leader of the Council on the concerns raised by the Committee.

86 COUNTER FRAUD UPDATE REPORT

Andrew Wood provided the Committee with a Counter Fraud update, including information on the National Fraud Initiative.

Andrew Wood provided assurances to the Committee that while one instance of suspected instance of fraud was identified within 2020/21 recommendations have been agreed with the management of the service area to strengthen the controls on cash management within this service.

Andrew Wood provided assurances that there were no instances of whistleblowing within the Council in 2020/21, this has been the case for the last four years.

The Committee requested assurances that there are measures in place to mitigate any risk of tax evasion by staff members who are not on Lichfield District Council's payroll system. Anthony Thomas provided assurances that there are mechanisms in place to mitigate this risk, including the oversight of agencies being used by the new procurement team.

The Committee requested confirmation on the training cycles for staff and members, Andrew Wood will circulate this information ahead of the next meeting.

RESOLVED: - (1) The Audit & Member Standards Committee noted the report

87 WORK PROGRAMME

The existing Work Programme 2021/22 was noted.

(The Meeting closed at 7.18 p.m.)

CHAIRMAN