

AUDIT AND MEMBER STANDARDS COMMITTEE

21 JULY 2022

PRESENT:

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

Officers in Attendance: Will Stevenson, Anthony Thomas

Also Present: Kirsty Lees (External Auditor), Councillor Rob Strachan (Cabinet Member for Finance, Procurement and Revenues & Benefits)

1 APOLOGIES FOR ABSENCE

There were apologies from Councillor R. Cross.

2 DECLARATIONS OF INTEREST

There were no declarations of interest during this item. However, Councillor Ho subsequently declared a personal interest during Item 6 (Internal Audit Progress Report) as his family's business is subject to food safety inspections.

3 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 20 April 2022, previously circulated, were taken as read and approved as a correct record.

4 ANNUAL TREASURY MANAGEMENT REPORT

Anthony Thomas (Assistant Director Finance & Commissioning) presented the annual treasury management report to the committee. Mr Thomas noted that the draft statement of account has been completed well in advance of the 31st July deadline and was now in the process of being audited. It was highlighted that the income from capital receipts was higher than the original budget of £296,000 by £219,335. This was primarily due to higher than planned Bromford Right to Buy Sales achieved. The Long Term Pension Liability had seen a roughly £19,000,000 swing from budget to actual, which had naturally had a large impact on the balance sheet. This was mainly due to financial assumptions used in the second of three reports by the Pension Fund Actuary. Other factors were noted including higher working capital and earmarked reserves due to Central Government providing council tax rebates in advance of their spend. The Prudential Indicators will be sent to Full Council later in year, but the committee were assured that all were compliant, and no breaches were recorded.

In response to questions from members regarding the adequacy of reserves, Mr Thomas explained that there had been a net loss of about £200,000 due to very volatile economic circumstances. It was stated that these conditions may mean that number could swing further in the following months. Noting the loan paid back on 31st March 2022, members asked if it was worth considering an early repayment of the second PWLB loan listed on page 20. Mr Thomas confirmed that this option will be considered. He confirmed officers could also review the potential for increased costs of ongoing projects rolling into other years.

Members noted that SR1 items 'C' and 'D' were still ranked as Red. The committee were informed that the recent resignation of the relevant Secretary of State had added unwanted

uncertainty on this. When asked if there was a concern about fixed term investments LDC has with unitary authorities, Mr Thomas clarified that the local authorities in question have different support arrangements with their devolved administrations than those in England.

RESOLVED: The committee approved to review the report and issues raised within. The committee also approved to review the actual 2021/22 Prudential Indicators contained within the report.

5 CIPFA RESILIENCE INDEX

Mr Thomas presented the report to committee, explaining that this is the third year the resilience index has been published; it is designed to improve and support local authority financial resilience by showing a range of measures associated with financial risk. The report notes that there are currently more interventions taking place in local government than ever before. The index is backward-looking, so for 2022 it starts to identify the impact of the pandemic. However, looking forward, the strategic risk register continues to show a risk around the availability of finance which is currently in the red zone due to local government finance reform, some residual impact from the Covid-19 pandemic and ongoing inflationary pressures. It was confirmed that the authority is procuring a new insurance provider currently, and officers are interested to see the impact of this change.

Commenting on the figures involved, members agreed that it was wise to err on the side of caution at the present time.

RESOLVED: The Committee noted the results of the CIPFA Resilience Index for 2022.

6 INTERNAL AUDIT PROGRESS REPORT

The Assistant Director Finance & Commissioning (Anthony Thomas) presented this report in the absence of the Audit Manager (Andrew Wood). Mr Thomas explained that as of this first quarter, 10% of the audit plan has currently been completed. The reasons for this slow pace include several grant assurance items – each requiring a sign off and extra resources - that were not envisioned initially. The authority is in the process of procuring a general auditor and these resources should be sufficient to complete the audit plan. However, there is a risk that the current rate of organisational change within the council means that target may not be achieved. It was confirmed that the Audit Manager is working towards achieving 90% of the audit plan. All outstanding high priority recommendations will be revisited, and the committee kept updated of their progress.

Members raised significant concerns about the pace of the audit plan and increase in risk levels. Though sympathetic to the impact of external forces outside the authority's control, the committee noted that it is their obligation to highlight this issue, urging officers to find the resources to tackle these issues before they grow beyond control. They raised five outstanding high priority actions that had been identified for the last five quarters, urging that these be acted upon as soon as possible. Mr Thomas confirmed these issues have been raised with officers and the early stage of the current audit means that there is time for the plan to catch up. However, it was still important to raise the potential risk of external impacts with the committee.

Members requested further detail from Mr Wood regarding the Debtors System discussed on page 48.

RESOLVED: With concerns raised, the committee noted the Internal Audit Quarterly Progress Report, including results for the quarter to 30 June 2022.

7 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME/PUBLIC SECTOR INTERNAL AUDIT STANDARDS

In the absence of Mr Wood, Mr Thomas presented the report to the committee. As part of the annual self-assessment, Internal Audit operations were reviewed by the Audit Manager and judged to be compliant. These operations would be subsequently subjected to an external quality assessment too. External quality assessments are completed every 5 years, with the last one completed in 2017, and the next one scheduled for this year. At conclusion, this report will be sent to the Audit & Member Standards Committee.

RESOLVED: The committee noted Internal Audit's compliance with the PSIAS and the QAIP.

8 RISK MANAGEMENT UPDATE

In the absence of Mr Wood, Mr Thomas presented the Risk Management report to the committee, including the strategic risk register, last updated by Leadership Team on June 22nd this year. At present, SR1 is the only indicator outside of risk appetite, mainly due to external factors. Horizon Scanning risks identified included voter registration requirements, and the impact of Ukrainian visitors to the district through the potential for breakdown of relationships between hosts and visitors.

Members questioned why SR7 has been reduced from a score of '9' to '6' given that the risk of a cyber-attack has not gone away. Mr Thomas explained that the score was increased significantly at the outbreak of the Russo-Ukrainian War 2022, but at this point there has been no indication of a cyber-attack taking place at LDC. Members noted a recent report from the National Cyber Security Centre specifically suggesting that local authorities should not be complacent about this risk and requested SR7 be reviewed again.

Noting that the AEA recently wrote to the Secretary of State stating that the timescales for voter registration plans were not sufficient, members suggested this risk should be looked at again.

The committee raised significant concerns that 5 out of 7 risks are currently scored '9' and raised the possibility of a ceiling on the cumulative total of risk scores that could be deemed acceptable. Members expressed keen interest in inviting the Chief Executive and managers responsible for areas of risk to come before the committee to provide further detail and accountability.

Members requested clarification from Mr Wood on why SR2 has not increased through a period of significant managerial change within the council.

RESOLVED: The committee noted the risk management update and received assurance on actions taking place to manage the Council's most significant risks, subject to the significant concerns raised by the committee. Members requested that the Chief Executive and a manager responsible for an area of risk, both be invited to the next meeting.

9 WORK PROGRAMME

RESOLVED: Members noted the contents of the work programme for the 2022/23 year.

(The Meeting closed at 7.06 pm)

CHAIR