

# AUDIT COMMITTEE

1 FEBRUARY 2024

## PRESENT:

Councillors Ho (Chair), Whitehouse (Vice-Chair), Robertson, J Smith, P Taylor and Woodward

### 36 APOLOGIES FOR ABSENCE

Apologies of absence were received from Cllr Marshall.

### 37 DECLARATIONS OF INTEREST

No declarations of interest were received.

### 38 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting held 28th November 2023 were taken as read and approved as a correct record, subject to amending the word "committee" to "committed" in the second paragraph of the Internal Audit Progress Report minutes.

### 39 AUDIT PLAN (INCLUDING PLANNED AUDIT FEE 2023/24)

Helen Parks (External Auditor - Azets) presented the report to the committee and talked members through key areas. They agreed that within the audit, the LWMTS's accounts should not currently be consolidated with those of the council, though this would be reviewed again later in the year. It was highlighted that the external auditors will continue to proceed with work but cannot issue their audit opinion until Grant Thornton has provided their report for the outstanding years prior.

They highlighted that any error over £53,000 is required to be identified to the committee. Members asked if this figure was considered an acceptable level for an authority of LDC's size. Helen Parks confirmed that the high materiality level of the council was just over £1 million. The £53,000 figure was calculated as 5% of the overall materiality for the council. She confirmed this number was a reasonable benchmark for a council of this size.

Members asked where the 1.75% materiality figure came from. Helen explained the maximum threshold external auditors can use is 2%. The level used is then determined based on what they deem to be reasonable through any fieldwork conducted so far.

The external auditors explained that the nature of the high classification of risk of material misstatement is around the ability of management to perpetrate fraud. They assured members that the International Standards on Auditing require this to always be identified as a high risk and given appropriate attention. This is something that would be the same across all councils.

It was explained that an issue regarding the county council's pension fund needing sign off is currently delaying the complete set of accounts from being finalised.

**RESOLVED:** Members noted the Audit Plan (including Planned Audit Fee 2023/24).

### 40 TREASURY MANAGEMENT STATEMENT AND PRUDENTIAL INDICATORS

Anthony Thomas (Assistant Director Finance & Commissioning) presented the report to the committee. He explained that the capital strategy saw no significant changes since last year. The capital programme includes budgets for the new leisure centre, cinema and replacement waste fleet. It was noted the borrowing need will increase significantly in order to fund the new leisure centre and cinema developments. Mr Thomas confirmed there were no significant changes to the treasury management and investment approaches with last year. He noted there will be a small number of minor changes on updates/guidance/grammar when this report goes to Cabinet and Full Council.

Members asked what would happen if the projected capital receipts for 2023/24 do not ultimately amount to the figures anticipated in the report. Mr Thomas explained that in that scenario, there would be a subsequent choice between reducing the spend of the capital programme, increasing the borrowing need to deliver the programme or using alternative funding sources. He explained that Venture House represented the main risk for this scenario, the other large receipt was 'notional' in nature and is related to the asset exchange for the cinema for Lichfield District development and its non-receipt would not impact on the Capital Programme funding.

Mr Thomas explained that the outstanding public works loan referenced in paragraph 3.7, is a 25-year loan with roughly 16 years remaining. This was originally taken to fund the development of the Friary Outer car park, and the loan length designed to reflect the asset life.

Members stated they would like to see the value of Venture House to be reassessed to ensure a sale that would enable the delivery of the Capital Programme. Mr Thomas said he had been told by the property team that it would be resolved and did not believe it had yet reached the point at which reassessment of the capital receipt value was necessary.

It was explained to members that that there is £14 million currently invested in property investment funds and following review by the Committee, this currently planned to reduce from £14 million to £9 million. This is intended to help fund internal borrowing for the leisure centre and reduce the amount at risk to volatile market forces given the Government had indicated the removal of the statutory override.

Mr Thomas explained that the report currently included a £6 million like-for-like replacement for the waste fleet, though there were two immediate risks around this: the procurement of food waste vehicles, and the likelihood of alternative fuel vehicles moving forward. It was felt prudent to revise this when more up to date information is available going forward. Mr Thomas confirmed that the £6 million covered both LDC and Tamworth Borough Council through the shared service. Going forward, much would depend on how aligned the two councils are with their future direction for the service area.

In response to questions Mr Thomas agreed to provide members with more information regarding when the Property Condition Surveys were last completed and would be reconducted.

**RESOLVED:** Members considered the Capital Strategy and Treasury Management Strategy Statement and highlighted changes and recommendations to Cabinet in relation to:

2.1 The Capital Strategy and Capital Programme.

2.2 The Minimum Revenue Provision Statement for 2024/25, which sets out the Council's policy of using the asset life method for making prudent provision for debt redemption.

2.3 Treasury Management Strategy Statement for 2024/25.

2.4 The Investment Strategy Report where no changes are recommended for 2024/25.

2.5 The Capital and Treasury Prudential Indicators for 2023-28 in the financial implications section.

2.6 The Authorised Limit Prudential Indicator shown within the financial implications section.

## **41 INTERNAL AUDIT PROGRESS REPORT**

Andrew Wood (Audit Manager) presented the report to the committee. He explained that as of 31st December 2023, 33% of the audit had been completed. This was below the year-to-date audit plan profile for 2023/24 of 78% and was due in part, to exceptional circumstances. He noted that only completed audits are included in the relevant statistics. He provided assurance to the committee that 78% would be complete by 31st March 2024. The current contract with the IT Audit provision provided by E-Tec Business Services concludes as at 31st March 2024 following a 1-year extension, as allowed within the contract.

Members asked what exceptional circumstances were accounted for in the report. Mr Wood explained this included a bereavement in the team and a number of audits were subsequently moved to BDO. He highlighted a high number of audits where the fieldwork has already commenced and provided assurance to the committee that 78% of the audit will be completed by the end of March. Mr Wood confirmed he would draw on the committee's support if required but reiterated the team did receive the required support from Leadership Team.

Mr Thomas highlighted that Planning was currently undergoing a restructure which would include a dedicated post to deal with Section 106 processing and management.

In response to questions on the recruitment of an Independent Person, Mr Wood expected a process of job advertisement and response would need to be undertaken, before the successful individual took their place at the start of the municipal year. He highlighted though that the applicants will need to be of the appropriate standard to suit the needs of the committee.

Members requested that the current status of outstanding high priority recommendations be brought to the next committee.

**RESOLVED:** The committee noted Internal Audit's Progress Report to 31 December 2023.

## **42 RISK MANAGEMENT UPDATE**

Andrew Wood presented the report to the committee. He explained that all changes made by Leadership Team had been highlighted within the report. The current scoring levels and risk appetitive levels of the council have not changed since the last time this report was presented to members in November 2023.

Members highlighted that the majority of risks outlined were high impact risks even if they were low likelihood, and if anything could be done to reduce this. Mr Wood explained that these risks will be inherently high impact by their nature of being strategic risks within the local authority and the effects they could subsequently have if not checked. Mr Thomas added that there are elements of each risk that can be controlled but certain factors were often beyond the control of the authority and the very best mitigation can only reduce the risk levels so much.

Members asked about SR7 and questioned if the original scoring of 4 was too low based on past events at other authorities. Mr Wood confirmed he could review this again.

Members asked roughly how many attacks occur a week on the authorities' systems. Ian Edwards (ICT Manager) confirmed that the IT service sees examples of regular action from hostile states, phishing attempts blocked, impersonation attempts. He noted that identifying these attempts was a sign that they are being tackled appropriately rather than missed.

**RESOLVED:** Members noted the risk management update and received assurance on actions taking place to manage the Council's most significant risks.

#### **43 GDPR/DATA PROTECTION POLICY**

Ian Edwards (ICT Manager) presented the report to the committee. He explained that minor changes have been highlighted in the appendix. He highlighted a separation of employee and member accountability as well as responsibility and accountability for Leadership Team within the policy.

Mr Edwards confirmed that training is made mandatory for all staff and is required to be renewed on an annual basis - this policy will update that training material. He confirmed that staff had previously had their access to systems revoked if they did not complete the required training.

Members requested a report on the numbers of people expected to complete/have completed the training outlined. Mr Edwards confirmed this could be provided and added to the work programme.

Mr Edwards confirmed he would have a conversation with the Data Protection Officer on what to do with data that is held by members.

The committee agreed an amendment to the policy, replacing the words "may result in disciplinary action" with the alternative wording to "will be considered under the council's disciplinary policy".

Mr Edwards stated that the council ideally would not use suppliers with non-UK data centres, though recognised this was increasingly difficult. He agreed to provide more information to members on this after the meeting.

**RESOLVED:** Members approved the updated Data Protection Policy to meet (UK GDPR) regulations.

Members amended the policy to replace the words "may result in disciplinary action" with the alternative wording: "will be considered under the council's disciplinary policy".

#### **44 WORK PROGRAMME**

The committee noted the contents of the work programme. The Chair asked if officers could review whether any items could be moved from the April meeting to the March meeting.

(The Meeting closed at 7.49 pm)

CHAIR