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AUDIT COMMITTEE

17 APRIL 2024

PRESENT:

Councillors Whitehouse (Vice-Chair, in the Chair), Marshall, Robertson, J Smith, P Taylor, Vernon and Woodward

52 APOLOGIES FOR ABSENCE

Apologies were received from Cllr Ho (Chair).

53 DECLARATIONS OF INTEREST

No declarations of interest were received.

54 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting held on 21 March 2024 were taken as read and approved as a correct record.

55 ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

The report was presented to the committee by Jane Irving (Senior Business Advisor). She confirmed that external auditors had been involved in reviewing the report.

In response to questions on the transfer of the leisure centre at 3.13 in the report, Anthony Thomas (Assistant Director Finance & Commissioning) confirmed that some staff had transferred across from Freedom Leisure via TUPE during the councils' insourcing of the leisure centres management and were members of the Local Government Pension Scheme (LGPS). An earmarked reserve of roughly £200,000 was set up when Freedom took over leisure centre management to cover any LGPS pension liability associated with the risk of Freedom getting into financial difficulty given the Council had provided a guarantee. As LWMTS is owned by Lichfield District Council, the LWMTS LGPS pension figures will form part of the Council's pension figures and will therefore the risks and liabilities will be managed in the same way as the councils' liabilities going forward.

It was confirmed any fundamental changes in accounting policies would be communicated to the Chair.

RESOLVED: It was agreed to amend recommendation 2.3 to include the words "with the consultation of the Chair of Audit committee." at the end of the recommendation.

Members were assured that the external auditors had had advanced sight of this report and had conducted a three way check on the accounting policies to ensure they are appropriate for the council.

Members asked for additional information on the legacy issues related to COVID-19 mentioned on page 13 of the agenda. It was stated that this would likely include the impact of changes in behaviour such as agile working on areas including car parking income, changing workplace patterns and similar.

RESOLVED: 2.1. The Audit Committee approved the Council's proposed Accounting Policies that will form part of the 2023/24 Statement of Accounts.

2.2. The Committee approved the Council's approach to the Critical Accounting Judgements, Key Sources of Estimation Uncertainty and Going Concern that will be reviewed by the External Auditors in completing the 2023/24 Statement of Accounts.

2.3. The committee delegated to the Assistant Director – Finance and Commissioning (Section 151) the ability to make further changes to the accounting policies to reflect the subsequent release of new or updated guidance, with the consultation of the Chair of Audit committee.

2.4. The committee noted the three consultations from the Department of Levelling Up, Housing and Communities (DLUHC), National Audit Office (NAO) and CIPFA to address the Local Audit backlog and embed timely audit reporting.

56 **AUDIT COMMITTEE EFFECTIVENESS**

The report was presented by Andrew Wood (Audit Manager). He highlighted that private meetings with the external auditors would be scheduled into the work programme for 2024/2025 as an ongoing exchange. He asked that committee members let him know of any areas of additional training they may wish to have.

Members asked what the comparison of the score of 172 was with other authorities. Mr Wood explained that different organisations take different views on how this scoring process takes place, making comparison difficult. He confirmed that a structured training plan including areas on local government finance, external audit, risk management & fraud, may aid to move that score up to a higher level. However, he also noted that there may be changes to the committee that we are currently unaware of, that may require changes to the self-assessment.

Members questioned whether statement 5 "Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?" was marked correctly, as this would likely include members tasked with the governance and leadership of the council. Mr Thomas highlighted that a number of reports including the Chair of Audit committee's report are taken to Full Council to ensure that members have clear oversight and input.

Members questioned whether there was a constitutional bar on members of the executive sitting on the Audit Committee, and if not, recommended such a bar may be an appropriate inclusion for the constitution.

Mr Wood agreed to take amendments from members on point 13, 14, and 17 in the report.

RESOLVED: 2.1 The Committee approved the attached self-assessment questionnaire – subject to amendments recommended to the Audit Manager – and any actions identified to improve its effectiveness as appropriate.

2.2 The Committee considered and approved the proposed training plan.

57 **CHAIR OF THE AUDIT COMMITTEE'S ANNUAL REPORT TO COUNCIL**

Mr Wood presented the report and explained that there was a disparity regarding the wording on the appointment of an independent member(s) to the committee that would be clarified.

RESOLVED: The proposed Annual Report of the Audit Committee 2023/24 was endorsed by the committee, following the amendments agreed with the Audit Manager, and that the Chair of the Audit Committee circulate the report to all Councillors.

The committee delegated to the Audit Manager, in conjunction with agreement by the Chair and Vice-Chair of the Committee to allow any subsequent minor changes to complete the Annual Report prior to submission to all Councillors.

58 ANNUAL REPORT FOR INTERNAL AUDIT (INCLUDING YEAR-END PROGRESS REPORT)

Mr Wood presented the report to the committee. It was confirmed that some of the high priority actions are rolled forward from previous years and an assessment around these recommendations had been provided previously.

Members asked about the consultancy and advice to Lichfield Bid mentioned in the report. It was confirmed this was to close out any accounts and ensure this was done compliantly. Members asked if this assurance had been made available to city centre businesses. Mr Wood agreed to look into this and let members know.

Mr Wood agreed to provide a similar report on the implementation progress of recommendations to provide the committee with opportunity to raise any concerns and flag these with managers.

RESOLVED: The committee noted Internal Audit's Annual Report, including results for the quarter to 31 March 2024

59 RISK MANAGEMENT UPDATE

Mr Wood presented the report to the committee. He highlighted that details on the cinema project, leisure centre and development of the Birmingham Road Site were included in appendix 3.

Members asked if procedures on reducing the attack surface of the councils IT systems were being appropriately reviewed and updated as such. Ian Edwards (ICT Manager) confirmed that actions and monitoring were in place to appropriately manage this risk.

Members welcomed the inclusion within the report of the councils' lack of a local plan and agreed the impacts of this should be monitored.

Mr Edwards confirmed that the council is provided subscription services by NCSC to enforce the council's cyber security services.

Members asked about the inclusion within the report of the incident at Ridware House climate change strategy mentioned in the appendices and car parking strategy,

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

60 ANNUAL GOVERNANCE STATEMENT

Mark Hooper (Governance Manager & Monitoring Officer) presented the report to the committee. Mr Hooper highlighted that report highlights Audit finding delays, WP Searchlight, and the Audit arrangements of the LATCO.

Members suggested the inclusion of caveats within section E, to highlight the inherent risks of under capacity and a recognition of the difficulties this could cause for the council and keep this under review. Mr Thomas also highlighted the potential of automation to release capacity from routine tasks and refocus staff on place shaping strategic tasks. Mr Hooper agreed to discuss wording on this suggestion with the Chair and Vice-Chair.

Members highlighted that the team responsible for running elections are also responsible for the running and clerking of committees.

RESOLVED: 2.1 The Audit Committee reviewed and approves the Draft Annual Governance Statement that will form part of the 2023/24 Statement of Accounts subject to the amendments agreed with the Governance Manager.

2.2 The Committee delegated authority to the Chair and Vice-Chair of the Committee and the Governance Manager to make further minor amendments to the Annual Governance Statement prior to the inclusion of the final version in the Statement of Accounts.

2.3 The committee approved the Local Code of Corporate Governance for 2024/25.

61 DATA PROTECTION POLICY AND GDPR UPDATE

Ian Edwards presented the report to the committee. He highlighted a high completion rate amongst staff on training provided and that this was being supplemented by an action plan outlined within the report. At the end of the month, a list of those still to complete training will be taken to Leadership Team with the potential to withdraw IT access from the individuals listed until training is completed.

Members discussed to potential of making this training compulsory for councillors too.

Members asked if there was anything that could be built into the system behind member email addresses to ensure a further layer of cyber security. Mr Edwards confirmed that members and leadership team email addresses already have some additional protections, but additional techniques could be applied.

Members asked about the risks of artificial intelligence (AI) and the risks of impersonation that this may generate. Mr Edwards agreed to take this away and see what can be included in later training.

RESOLVED: The committee approved proceeding with the action plan in Section 4 to raise the completion rates of the training.

62 AUDIT COMMITTEE LDC PROGRESS REPORT AND UPDATE - YEAR ENDED 31 MARCH 2024

Laura Hinsley (External Auditors) presented the report to the committee. She explained that the report provides the Audit Committee with an update on the progress in delivering their work on external audit items and noted that progress had been good given the delays previously.

It was confirmed that the meeting on IT General Controls had taken place. Members thanked the external auditors for the clarity of their report.

RESOLVED: Members agreed to note the contents of the report.

63 WORK PROGRAMME

It was confirmed that the work programme for 2024/2025 would be discussed with officers and presented to the committee Chair and Vice-Chair before the next meeting.

64 EXCLUSION OF PRESS AND PUBLIC

RESOLVED: “That as publicity would be prejudicial to the public interest by reason of the confidential nature of the business to be transacted, the public and press be excluded from the meeting for the following items of business, which would involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972”

IN PRIVATE

65 PRIVATE MEETING OF COMMITTEE MEMBERS WITH EXTERNAL AUDITORS

The committee held private discussions with the external auditors and Audit manager. All other officers vacated the room, to allow members to seek unbiased and unhindered assurances from the auditors.

(The Meeting closed at 8.05 pm)

CHAIR

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