

AUDIT COMMITTEE

26 NOVEMBER 2024

PRESENT:

Councillors P Taylor (Chair), Marshall (Vice-Chair), J Smith, Vernon and Woodward

25 APOLOGIES FOR ABSENCE

Apologies were received from Cllr Dave Robertson.

26 DECLARATIONS OF INTEREST

No declarations of interest were received.

27 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting, held on 18th September 2024, were taken as read and approved as a correct record.

28 LWMTS - ANNUAL REPORT

Andrea Felton (LWMTS Finance Director) presented the report to the Audit Committee. Ms Felton highlighted recent growth in the company over the last year, flagging disabled facilities grants and leisure services as the key drivers behind this growth.

- Members asked if there was a list of clients utilising the company beyond LDC. *It was stated that external income for 2024/2025 represented £840,000. Planning, Disabled Facilities Grants (DFGs) and Communications were areas that involved a high level of external clients.*
- Members asked why this report had been discussed at multiple committees within LDC and highlighted the risk of this creating a false assurance of scrutiny. *It was explained that the company was still relatively new and the process of scrutinising associated reports was still being shaped. Different member bodies have looked at the report with different perspectives under the remit of each committee.*
- Members asked about the possibility of including other members on the LWMTS board that are not part of the controlling group. *This has been picked up by Internal Audit and discussions of setting up a shareholder group were underway. This will form part of the upcoming review of the constitution to ensure LDC have appropriate oversight on the council side of things.*

Members requested a firm date for having these new board arrangements in place given the rapid growth of the company. Ms Felton confirmed this would be on the agenda for the next LWMTS board meeting on December 18th 2024.

RESOLVED: Audit Committee reviewed the LWMTS Annual Report 2023/24 and provided feedback.

29 MID-YEAR TREASURY MANAGEMENT

Anthony Thomas (Director for Finance Regulation & Enforcement) presented the report to the committee. He explained that the report examines multiple areas of council income/expenditure and how they are performing compared to the budget at this stage of the financial cycle.

- Members asked about the strategic fund levels referenced in the report and if they could be achieving better returns. *Mr Thomas explained that they represented investments in a wide portfolio of assets, but due to recent changes in interest rates, current returns were proving to be better with cash investments at present. However, he cautioned against seeking to move all investments to cash at this stage and instead focus on ensuring a good diversification of investments to provide security.*
- Members asked about the useable reserves and unusable reserves and why useable reserves were not being utilised for public services. *Mr Thomas explained that deferrals in capital spend – such as the New Leisure Centre – were represented in the figures. As a result, much of the useable reserves have been committed to existing projects or set aside to manage risks such as potential local government finance changes. When taking this into account the reserves do drop down to much lower levels than they may initially appear.*
- Members requested greater transparency in the report. *Mr Thomas agreed to look at this in future reports and asked members to highlight what particular areas of the report they would like to see more transparency in.*
- Members asked about government guidance on investing in crypto currency. *Mr Thomas referred to the general guidance on security liquidity yield. It was explained that the council's primary purpose was to deliver services and should not be in the business of taking risks with public money on areas that they couldn't be entirely certain of the surrounding risks.*

RESOLVED:

2.1 Members reviewed the report and issues raised within.

2.2 Members reviewed the Prudential Indicators contained within the report.

30 INTERNAL AUDIT PROGRESS REPORT

Anthony Thomas presented the report to the committee. It was stated that an Audit completion of 25% had been achieved compared to a profile target of 38%. However, the number of audits being progressed has increased significantly following the procurement of additional capacity from BDO.

- Members asked about the delay of key recommendations. *Anthony highlighted that a number of these key recommendations date back a number of years and suspected a number of these represent recommendations that are either out of date or the administrative process of closing them has not quite concluded in time for this report. The Chair highlighted that managers had been called to the last meeting and would request a list of all outstanding recommendations be circulated to committee members before the next meeting.*
- The progress on Cyber incident preparedness and response was asked about by members. *Mr Thomas stated he believed that particular area was scheduled for Quarter 4, which would imply the ICT auditor is comfortable that it can be addressed on that timescale and does not need accelerating due to an imminent risk.*

- Members asked about the progress of work on Waste Reform Project Planning. *Mr Thomas highlighted inertia in national government on how these projects would be rolled out. This leaves local councils in the dark on how implementation would work at this stage. Resources in the team are then naturally diverted to other areas such as fleet procurement in the meantime.*

Members drew attention to the reference to Net Zero and Climate Change work and considered whether this may constitute an internal audit project of its own given its importance.

RESOLVED: The committee reviewed Internal Audit's Annual Report, including results for the quarter to 30 September 2024 and provided feedback.

31 RISK MANAGEMENT UPDATE

Mr Thomas presented the report to the committee. He confirmed that the most recent review saw no changes to the current scores of the 7 Strategic Risks. He highlighted the new inclusion of upcoming issues that may become risks such as proposed government legislation that may have an impact on council services, as well as Strategic Project Risks outlining projects moving to the delivery phase.

- Members asked about the size and composition of the Major Projects Team. *Mr Thomas confirmed this team included John Smith, Martin Gritt and Karen Higgins.*
- Members asked if the size of this team was sufficient given the amount of work and high-profile nature of their work. Members suggested councillors should get regular RAG ratings on the progress of these major projects. *Mr Thomas confirmed that the reputational and high-profile delivery of these projects is why they had been included in this report. There is nothing preventing the committee from inviting these officers to the committee to provide assurances on contingency arrangements, risk management arrangements and project management arrangements including project plans.*

It was agreed to invite someone from the Major Projects team to the committee to the next meeting to discuss the processes, progress and risks of the three projects outlined – New Leisure Centre, Cinema and Redevelopment of the Birmingham Road Site – as well as providing a briefing paper on the progress of these projects before the meeting.

It was highlighted that the committee could request a post-project review of the sale of land at Birmingham Road/St John Street from the Major Projects Team when they attend the committee to ensure any learning can be applied to future sales of land in the Birmingham Road Site.

- Members asked about SR7 and SR8 and asked when the target score may be reached. *Mr Thomas highlighted SR7 as a volatile measure that is dependent on a number of factors very much outside of the authorities' control. Several measures have been taken to improve the council's resilience, including patches and the employment of ethical hackers to improve the risk level in this area.*

RESOLVED:

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

Members invited the Major Projects team to attend the next meeting of the Audit Committee.

32 RIPA REPORTS POLICY AND MONITORING

Mark Hooper (Governance Manager and Monitoring Officer) presented the report to the committee. He confirmed that the council has not carried out any surveillance as set out in the act and has no current plans to carry out any such surveillance in the immediate future. There were no material changes recommended to the policy. The best practice guidance recommends that members receive assurance that the powers are being applied appropriately on an annual basis.

- Members asked about the threshold at which this policy would come into effect. *Mr Hooper explained this would only be for covert pre-planned operations. Overt CCTV did not usually fall into this remit. It requires suspicion of an offence that carries a custodial sentence of at least 6 months. Mr Thomas added this can include the monitoring of social media too.*

RESOLVED:

2.1 The Committee reviewed the RIPA monitoring report for 2023/24.

2.2 The Committee approved the Policy and Procedure for RIPA as set out in Appendix 1 of the report.

33 AUDITOR'S ANNUAL REPORT FOR LICHFIELD DISTRICT COUNCIL 2023/24

Laura Hinsley presented the Auditor's Annual Report for Lichfield District Council 2023/24 to the committee. The financial statements brought in September had received one amendment. It was proposed to give an unqualified audit report which considered the financial statement to be a true and fair representation of the figures contained within. The narrative report and Annual Governance Statement were also judged to be consistent and compliant with the requirements assessed by the external auditors. A value for money assessment did not identify any significant weakness to report.

It was proposed to sign these opinions as soon as assurances from the County Council pension fund auditors was received.

A cost benefit analysis of the provision of individual services was highlighted as something that would be valuable to undertake.

Internal control recommendations were outlined at the back of the report but did impact the audit assessment. It was noted that everyone in the finance team is encouraged to report any concerns directly to the external auditors to provide an external channel for any issues.

Laura Hinsley also presented the Audit Findings Report to the committee.

Members discussed the reclassification of assets included in the report and it was confirmed that the committee agreed that they were content for the Chair and Vice-Chair to approve the reclassification of the material value asset outlined in the report.

- Members asked if the level of mitigation relating to the duplicated debtor and if process were sufficiently robust to not pay the money twice. *Mr Thomas explained that this was an isolated incident caused by the changing of staff within one certain role.*
- Members asked about two of the adjustments that had not been agreed. *Ms Hinsley confirmed that the updated accounts had been received from LDC today. Assuming that they had been done currently, they would then be signed off.*

RESOLVED: The committee reviewed and approved the Auditor's Annual Report for Lichfield District Council 2023/24 and Audit Findings Report.

34 WORK PROGRAMME

Members reviewed the work programme and agreed to invite a manager to the next meeting and invite a member of the major projects team to the next meeting.

(The Meeting closed at 7.25 pm)

CHAIR