

**AUDIT COMMITTEE
28TH SEPTEMBER 2021**

PRESENT: The Chair (Jane Nellist)
The Vice Chair (Councillor Parsons)
Councillors Boldrin, Charles, Hadji-Nikolaou and
Hunt

External Auditor (Mazars)

Strategic Director; Environmental and Corporate
Services

Head of Strategic Support

Head of Financial Services

Internal Audit Manager

Senior Auditor

Democratic Services Officer (NC)

APOLOGIES: Councillor Bolton, S. Bradshaw and Snartt

The Chair stated that the meeting would be recorded and the sound recording subsequently made available via the Council's website. He also advised that, under the Openness of Local Government Bodies Regulations 2014, other people may film, record, tweet or blog from this meeting, and the use of any such images or sound recordings was not under the Council's control.

19. MINUTES FROM THE PREVIOUS MEETING

The minutes of the meeting of the Committee held on 8th June 2021 were confirmed as a correct record and signed.

The Vice-chair raised the following concerns regarding the previous minutes and requested they be recorded in the minutes:

- the document detailing slippage figures attached to the minutes was missing relevant information; there were no headings in the table or breakdown of the figures as requested and was therefore difficult to understand.
- a resolution agreed at the last meeting for the exempt item to include purchase prices in future reports had not be actioned for this meeting's report.
- this was not considered up to usual standards and it was hoped this could be resolved.

20. DISCLOSURES OF PERCUNIARY AND PERSONAL INTEREST

During the consideration of item 6, Risk Management (Risk Register) update, Cllr Hunt declared a personal interest as the Member of Parliament for Loughborough.

21. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8

No questions had been submitted.

22. INTERNAL AUDIT PROGRESS REPORT 2021/22 TO 10TH SEPTEMBER 2021

A report of the Head of Strategic Support was submitted summarising the progress against the 2021/22 Audit Plan, outlining key findings from final reports and any outstanding recommendations. (Item 5 on the agenda filed with these minutes).

The Audit Manager and Senior Auditor attended the meeting to assist the Committee with the consideration of this item and noted that the progress report covered up to 10th September. She provided a verbal update as follows:

- Six reports had been issued since the last Committee meeting, three had related to the 2020-21 Audit Plan and had concluded the Plan. Three related to this year and there were no concerns in relation to working through the Audit Plan at this point.
- Overdue recommendations were set out in Appendix C and that as the majority of the reports were issued post January the data was slightly skewed. However any issues raised were anticipated to be resolved by the next Committee meeting.
- Reference was made to changes within the Team. Temporary resources would be recruited for any identified long-term gaps and no disruption was expected to the delivery of the Audit plan.

The Committee were advised in response to questions that:

- Regulations for money laundering no longer covered Local Authorities and it was considered of small risk for Councils. Although it was not a legislative requirement, it was good practice to have a money laundering policy and one was being drafted for the Council to be completed by end October.
- with reference to the cleansing exercise and leavers having access to systems revoked, a process was in place but was not always tightly followed. This did refer to the Housing System and was not related to accessing other Council systems. It had been recommended that the Service continued to review system users on a quarterly basis.
- Complaints regarding Tenancy Management and Housing were reviewed by the Audit Team if there were issues but not routinely considered as it was anticipated that any issues would be identified primarily through performance management processes and the current Finance and Performance Scrutiny Committee. It was noted that previous scrutiny committees had received monitoring reports concerning complaints in this area but these reports had been discontinued when the Committee was superseded.
- issues raised in the Audit on asset management would be considered by the Asset management team as these related mostly to strategy and guidelines.
- the outstanding gas servicing contract monitoring recommendation was currently prioritised as medium and the resignation of the Compliance Gas Inspection Surveyor was not considered significant to change the priority of this action. The recommendation related to a reconciliation between different systems, processes were in place and it was this short-term unexpected event that had delayed the completion of the agreed action.
- with respect to points raised in audits that had been issued with limited assurance opinions, Services were responsible for having the appropriate

- processes in place and were given advance notice of the dates of the internal audits. Senior managers were consulted in detail when the next year's audit plan was being drafted and would therefore be aware of areas to be audited.
- recommendations where there had been a slippage of dates for actions to be completed and implemented were escalated to Strategic Directors to ensure they were completed in a timely manner. It was also noted that attendance of officers at the Audit Committee to explain delays could be considered, if required.
 - the number of days referenced in the 2021/22 Audit plan was the total for the year and a starting point. There had been deductions for attending committee meetings, drafting of reports and management days which had decreased the number of days to approximately 200 days and the contingency wasn't reflected in the plan. The plan would change throughout the year as audits were added and removed as expected when providing risk based internal audit service. For a better comparison between years it was advised to use the Audit Plan report (submitted to the Committee in March). In addition, the number of days had dropped when the Council joined the internal shared service.
 - reference was made to the Asset Management Audit agreed actions and the desire for progress updates during the year to ensure slippage was not occurring. It was noted that a report would be submitted to the Cabinet in early Spring 2022.
 - it was preferred that responsibilities that would have been undertaken by the Asset Management Group to develop a repairs and maintenance programme to assist in the prioritisation of expenditure on assets was undertaken by the Senior Leadership Team (SLT) who wished to see oversight of this matter. Although the budget and portfolio holders were also members of SLT and could have any conflicting responsibilities, it was considered that any disagreements would be resolved within the SLT discussion process.
 - the implementation date of May 2022 to review the training to be carried out to ensure officers and members received the correct level of training to reflect their responsibilities within the risk management process was considered appropriate. Management were reviewing risk on a regular basis and training to be completed would consist of refresher training as appropriate officers had been previously trained and senior officers were experienced in the process.
 - the performance indicator for the delivery of 2021/22 Audit Plan at 36% did not indicate any slippage and since the drafting of the report this figure had increased to 50%. It was not expected that the Audit Plan would be 100% delivered by the end of March but this was considered acceptable. It was noted that the quarterly reporting timetable did not fully align with the Audit Committee meeting timetable.

Members were concerned that many of the recommendations in the report related to updating policies, procedures and training and considered whether to escalate the matter. It was noted that the COVID pandemic had impacted on the resources to update policies and procedures and that the Committee were minded to take this into consideration.

With respect to training of councillors appointed to Cabinet or the Audit Committee who had not attended training in scrutinising of commercial properties, the Head of

Strategic Support stated he would investigate and circulate a response to the Committee.

RESOLVED

1. that the report be noted;
2. that managers are reminded when the annual internal audit plan is approved and to consider reviewing policies, procedures and training in the areas subject to the audit;
3. That the Committee continue to monitor the Asset Management Strategy Audit findings and status of agreed actions at its next meeting;
4. That the Committee review the status of policies procedures and training recommendations at its next meeting with a view to escalating if it continues to be an issue.

Reasons

1. To ensure the Committee is kept informed of progress against the Internal Audit plan and work of Internal Audit.
2. Members considered that reminding managers of the approved internal audit plan could reduce the number of actions relating to policies, procedures and training.
3. The Committee considered that the Asset management Strategy in particular was of high importance and a regular monitoring of the actions was merited.
4. The Committee was concerned with the number of recommendations in the Audit Plan and wished to review this at its next meeting.

23. RISK MANAGEMENT (RISK REGISTER) UPDATE

A report of the Strategic Director, Environmental and Corporate Services, was submitted providing the Committee with details of the Strategic Risk Register produced for the period to 2020/21, and also providing information on the risk register that had been compiled to reflect the ongoing COVID-19 situation. (Item 6 on the agenda filed with these minutes).

The Strategic Director, Environmental and Corporate Services attended the meeting to assist the Committee with the consideration of this item and drew the Committee's attention to the risks that the proposed Environmental Services Bill could cause the Council, particularly in respect of the potential requirement to collect food waste and collecting recycle in a number of streams. Further clarity would be obtained when the Bill was passed into law next year.

The Committee were advised in response to questions that:

- the risk register would be updated in accordance with progress of the recommendations from the Internal Audit.
- although the Strategic Risk register did not include risks relating to underspending or reputational damage, the underspend risks were recognised in terms of the delivery of the Capital Programme at a Strategic Director level. The funds were still in the budget if projects were not fully delivered within timescales and there had been challenges concerning contractors and the HRA general fund underspends. The Audit Committee had sight of the risk if the Council did not achieve its objectives and other committees such as the Budget Scrutiny Panel would consider these matters in further detail.
- regarding the risks rated as red indicating financial gaps, this would not be resolved through an increase in Council tax, as the Government's Council Tax capping rules would restrict any increase. If there was a severe civic contingency the Government would enable the Council to access emergency funds through the Bellwin Scheme.
- in general funding could be obtained to convert the inherent risks identified to amber, but in some cases the issues could not be resolved fully by money.

RESOLVED that the report be noted.

Reason

To ensure the Committee is kept informed of progress against the strategic risks that should they crystallise would cause the Council to be unable to operate and/or provide key services leading to a significant adverse effect on public wellbeing, and also about the COVID-19 risk register.

24. COUNCIL'S USE OF REGULATORY OF INVESTIGATORY POWERS ACT (RIPA)

A report of the Head of Strategic Support was submitted providing the Committee with a summary of the Council's use of RIPA powers (item 7 on the agenda included with these minutes).

The Head of Strategic Support noted that the inspection by the officer of the Surveillance Commissioner in relation to its RIPA processes and arrangements had been completed and had identified that policies required minor updating. In addition it had recommended that officers undergo refresher RIPA training but noted that the powers had not been used for 10 years so training would be light touch.

RESOLVED that the Committee noted that there had been no use of RIPA powers by the Council for the period from 1st June 2021 to 31st August 2021.

Reason

To enable the Committee to comply with the request from Cabinet that the Audit Committee assumes responsibility for receiving a quarterly report on the use of RIPA, and to report to Cabinet any concerns arising from those reports that may indicate that the use of RIPA is not consistent with the Policy or that the Policy may not be fit for purpose.

25. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE

A report of the External Auditors providing a progress report and technical update was submitted to the Committee for consideration. (Item 8 on the agenda filed with these minutes).

Mark Surridge from Mazars attended the meeting via video-link and assisted with the item. The Chair had confirmed that Mark could see and hear the proceedings when he joined the meeting.

He noted that there were no new risks to bring to the Committee's attention. There were some challenges regarding substantial pension movements and an updated valuation had been obtained for the Council's account, but it would not impact the General Fund. The timelines were affected as the auditors had not yet received instructions to certify the audit from the National Audit Office. The Annual Auditors report was new and it was still anticipated officially it should be completed by 30th September. However the guidance had been issued pre-COVID and it was unlikely to until November but was consistent with other clients.

The Committee were advised in response to questions that:

- it was unlikely that the Committee would go back to its usual audit cycle in 2022 as the cumulative effect of the COVID pandemic were still being felt.
- the Statutory deadline for publishing accounts would continue to be 30th September 2022 but it was doubtful that many authorities would be in a position to do so as the ability to regain lost time during 2021 was unlikely.
- there was a shortage of auditors being recruited which also caused delays.

The Committee was advised to keep to its current Audit timetable and to progress thorough 2021 until further clarity could be obtained regarding timelines for 2022.

RESOLVED That the Committee noted the report.

Reason

To acknowledge the Committee's consideration of this item.

26. WORK PROGRAMME

A report of the Head of Strategic Support was submitted to enable the Committee to consider its work programme (item 9 on the agenda filed with these minutes).

The Head of the Strategic Support noted the following:

- that the Annual IT Health Check had slipped due to COVID and was scheduled to be submitted to the Committee's meeting in February 2022.
- that the 'Future of Local Public Audit' item be renamed as 'Appointment of External Auditors' and that a report be considered by the Committee at its meeting scheduled in November 2021 in order to meet the timescales for appointing external auditors. The Committee would be requested to approve

- the Council joined the National Pool arrangement for recommendation to full Council in early 2022.
- that the Policy for Engagement of External Auditors for non-audit work had been agreed in March 2013 and that it would be timely for the Committee to consider this at its November 2021 meeting.

There were no issues that the Committee wished to forward to the Scrutiny Commission from this meeting.

RESOLVED that the Committee proceeds on the basis of its work programme with the following amendments:

- that the 'Future of Local Public Audit' item be renamed as 'Appointment of External Auditors' and that a report be scheduled to the Committee's meeting in November 2021;
- that the Policy for Engagement of External Auditors for non-audit work be scheduled to the Committee's meeting in November 2021.

Reason

To enable the Committee to identify future items of business and enable planning for future meetings to be undertaken, for example preparing reports and arranging for the attendance of officers and /or others at meetings.

27. EXEMPT INFORMATION

It was resolved that members of the public be excluded from the meeting during the consideration of the following item on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

At this point in the meeting the recording was stopped.

28. INVESTMENT PERFORMANCE REPORT - Q1 2021/22

An exempt report of the Strategic Director for Commercial Development, Assets and Leisure (Exempt item 11 on the agenda filed with these minutes).

A summary of the Committee's discussion on this matter is provided in the exempt minute (Audit Committee 28E. 2021/22)

RESOLVED

1. that decisions be made as detailed in the exempt minute (Audit Committee Minute 18E 2021/22);
2. that a briefing regarding the Asset Management Strategy be arranged for all councillors prior to it being submitted to Cabinet;
3. that the exempt report of the Audit Committee be noted.

Reasons

1. As set out in the exempt minute (Audit Committee Minute 28E 2021/22).
2. Members considered that information held within the Asset Management Strategy was of an important nature and wished to be briefed on the matter before considering it in its entirety at a meeting of the Audit Committee. Members also considered it would be relevant for all councillors to be briefed in this matter.
3. Such that the activity be known and transparent as well as illustrating the impact of the activity on the Council.

NOTES:

1. No reference may be made to these minutes at the next ordinary Council meeting unless notice to that effect is given to the Democratic Services Manager by five members of the Council by noon on the fifth working day following publication of these minutes.
2. These minutes are subject to confirmation as a correct record at the next meeting of the Audit Committee.