

**AUDIT COMMITTEE
12TH JULY 2022**

PRESENT: The Chair (Jane Nellist)

Councillors Baines, Boldrin, A. Gray, Snartt and Parton

Strategic Director - Environmental and Corporate Services
Strategic Director - Commercial Development, Assets and Leisure
Head of Strategic Support
Head of Strategic and Private Sector Housing
Audit Manager
Organisational Development Manager
Democratic Support Officer (EB)

APOLOGIES: Councillor S. Bradshaw and Hadji-Nikolaou

The Chair stated that the meeting would be recorded and the sound recording subsequently made available via the Council's website. She 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.

1. APPOINTMENT OF VICE-CHAIR 2022-23

Councillor Parsons was nominated to be the Audit Committee Vice-Chair for 2022/23. The proposal was put to the vote by the committee.

RESOLVED that Councillor Parsons be appointed Vice-Chair of the Committee for the Council year 2022/23.

2. MINUTES FROM THE PREVIOUS MEETING

The minutes of the meeting of the Committee held on 4th May 2022 were confirmed as a correct record and signed.

3. DISCLOSURES OF PECUNIARY INTERESTS, AND OTHER REGISTRABLE AND NON-REGISTRABLE INTERESTS

No disclosures were made.

4. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8

No questions had been submitted.

5. 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 6 on the agenda filed with these minutes).

RESOLVED that the Committee note that there has been no use of RIPA powers by the Council for the period from 1 April 2022 to 30 June 2022.

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.

6. 2021/22 INTERNAL AUDIT ANNUAL REPORT

A report of the Head of Strategic Support was submitted presenting the Internal Audit annual report, one of the sources of evidence used to inform the production of the Annual Governance Statement. (Item 7 on the agenda filed with these minutes).

The Audit Manager attended the meeting remotely to assist with consideration of the item.

The Committee were informed that regarding the opinion on the effectiveness of the control environment, reasonable assurance could be given that there was good governance, risk management, control and planning. Whilst there were some areas for consideration, the opinion was positive overall.

The Committee were advised in response to questions that:

- Some recommendations were overdue since they had not been able to be implemented within the time limit.
- 'Reasonable' was a good level of assurance in the wording advised by the Chartered Institute of Public Finance and Accountancy (CIPFA), the only level higher was 'Substantial'. To reach a Substantial level of assurance all reports needed to be rated 'Substantial' and the likelihood of this was minimal. It was also noted that the system had moved from a three-tier rating to a four-tier rating.

RESOLVED that the report be noted.

Reason

To enable the Committee to consider the report prior to receiving the Annual Governance Statement for consideration.

7. INTERNAL AUDIT PROGRESS REPORT

A report of the Head of Strategic Support was submitted summarising the progress against the 2022/23 Audit Plan, outlining key findings from final reports and any outstanding recommendations. (Item 8 on the agenda filed with these Minutes).

The Audit Manager, Strategic Director for Commercial Development, Assets and Leisure and the Head of Strategic and Private Sector Housing attended the meeting to assist with the consideration of this item.

The Committee were informed that:

- Good progress had been made in the first Quarter of the financial year.
- The final three reports concluded the 2021-22 plan.
- There was limited assurance regarding choice-based lettings.
- The 2022-23 plan was progressing well.
- The reports for the first Quarter of the financial year were in-progress.
- Benefit subsidy work was under way.

The Committee were advised in response to questions that:

- The Senior Leadership Team (SLT) and Heads of Service were consulted during the annual audit planning process, a risk based plan was then produced and presented to Audit Committee in February 2022 as a draft providing them with the opportunity to comment.
- The production of the report did not always fall at the end of a quarter and therefore didn't always reflect the true position at the time of the Committee meeting.
- The Creditors audit recommendation regarding authorisation levels had been discussed with the Head of Financial Services and is to be implemented as recommended but an extension had been given due to the complexity.
- Regarding Asbestos Management (a legislative requirement), the information was in place to a degree, however it was not all on the same system. This was a high priority and whilst the risk had been reduced due to the Council having the necessary information, the information was not in the desired format.
- SLT had discussed a timeframe for Asset Management Budget centralisation. At this point income was not centralised in the Council budget but a review of this matter was in progress
- Risk assessments regarding asset management were ongoing and matrices had been analysed to check for major movement. It was acknowledged that this should have been included in the report.
- Regarding Commercial Lettings, many leases were in force, however, many of them did not have a rent-review mechanism which was necessary to legally review rents. It was projected that this mechanism would be in place by the third quarter of the financial year. With regard to the valuation of units, the lack of revenue mechanisms meant that the tenant needed to be in agreement and as such the process would take time. In terms of service costs calculation, historic leases were written in such a way that a flat percentage of the rent was charged

and there was no mechanism for review and this could not be changed without express agreement from the tenant.

- The comprehensive single source of data to track and record assets was in development. Debtors had been managed and action had been taken on non-payments of rent.
- Regarding Choice-based lettings, the allocations had three bands and could move between them. The demand on services during the Covid-19 restrictions had meant that people had remained within bands who might otherwise have moved up. It was now hoped that more people would be successful, however a lack of supply meant that this may not happen within the desired timeframe. Monitoring was being restored and a team leader was able to assist following a lack of capacity due to resource issues.
- The engagement plan for the Capital Programmes Audit for Quarter 2 that considered how programmes became part of the Capital Programme had not been fully written up and agreed.
- With regard to the Creditor Audit, it was necessary to consider other mitigating controls that were in place. This was the reason it had a rating of Reasonable rather than Limited.
- It was planned for controls to be put in place to limit instances where Purchase Orders were authorised by the same officer who had raised them as this was not good practice.
- With regard to concern raised that the Head of Financial service could bypass the normal authorisation by the budget holder, the Committee were assured that they would not have the access levels necessary.
- Whilst there had been a focus on completing the 2021-22 plan during quarter 1, all 2022/23 quarter 1 audits had started and time had been spent in planning other audits. Audits were not classed as complete until a draft report had been issued. Good progress had been made on the Quarter 1 plan for 2022-23. 80% of the Benefit Subsidy testing was complete and as such there was no cause for concern.
- Resource issues due to a lack of staff were authority-wide. However, there was a need to find a balance between taking note of financial challenges and having appropriate staffing. Changes were being made to address this.
- The action that related to a mandatory field could not be implemented as it was recognised that to make it so would have an impact on the assessment of the housing register application. This was a training need for staff.
- Regarding conflicts of interest on the Choice Based Lettings Scheme, the Committee were advised that if there was a case where the officer processing the application knew the resident, the officer would notify their manager and would not be involved in the application process.
- Overdue recommendations regarding fleet management had been seen and were scheduled for discussion at CLT. Policy and Procedures were in place and were awaiting sign-off (post CLT meeting).
- The issues where there had been no response received would be addressed.

RESOLVED that the report be noted.

Reason

To ensure the Committee is kept informed of progress against the Internal Audit plan and work of Internal Audit.

8. RISK MANAGEMENT (RISK REGISTER) UPDATE

A report of the Strategic Director for Environment and Corporate Services was submitted providing the Committee with details of the Strategic Risk Register produced for the period to 2022/23. (Item 9 on the agenda filed with these minutes).

The Organisational Development Manager attended the meeting to assist with consideration of the item.

The Committee were informed that:

- The last update had been on 4th May 2022. That day there had also been a Risk Management Group where SLT and CLT had made amendments to the Risk Register. There had been no changes to the ratings, however, actions 3, 7 and 10 had been updated, to include the fact that the Council were recruiting for a GDPR Officer and that the forthcoming Elections Bill and Environment Bill which would have an impact on the Council.
- Risk Management Software (Pentana) had been purchased which was being rolled out across the Council. This would provide a data storage system and aid with the production of reports. It would also produce an audit trail which would show where risks had changed and allow them to be tracked.

The Committee were advised in response to questions that:

- The roll-out of the Pentana software was nearing completion. Links had been circulated to risk-management pages, Heads of Services had been met with as part of the process with a view to loading up a service delivery plan as well as a corporate delivery plan.
- The risks identified were manually inputted into the system, along with the potential consequences of a risk.
- It was unlikely that the level of risk in the Strategic Risk Register would change significantly over a short period of time as there were actions that could be taken to mitigate increased risk. There would be a greater level of movement with Operational Risks, but less so with Strategic Risks.
- The monitoring of changes in treatment and controls were possible. They were monitored through risk management groups and changes in treatment and controls could be delivered in an action plan, potentially through Pentana.
- The Council linked with Business Continuity Planning at Leicestershire County Council and followed their lead on the issue. Additionally, the need to re-consider Business Continuity plans following the Covid-19 pandemic was recognised. Central Government had been considering making requirements more substantial. The issue had been discussed at a Local Resilience Partnership and there was an expectation that the districts within Leicestershire would standardise their plans subject to agreement between their respective

Chief Executives. If the districts supported this proposal then a shared Business Continuity Officer would be recruited. Councillor Bains would be considered for Councillor support on the issue.

- Whilst not all Local Authorities used the same risk matrix, where it could be compared it appeared as though the Council was in a similar position to other Local Authorities.
- A Data Protection Officer had been appointed but had not yet started. They would be starting the role imminently.

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.

The Organisational Development Manager left the meeting following the conclusion of this item.

9. ALLOWANCES AND EXPENSES CLAIMED BY COUNCILLORS AND CO-OPTED MEMBERS 2021/22

A report of the Head of Strategic Support was submitted to the committee to consider the amounts claimed by members of the Borough Council and co-opted members under the Council's Members' Allowances Scheme for 2021/2022 (item 10 on the agenda filed with these minutes).

The Committee were informed that this was an annual information item that would be published on the Council's website as well as in a local paper.

No concern was raised by the Committee.

RESOLVED

1. That the amounts claimed in allowances and expenses by Councillors and co-opted members be noted; and
2. that any issues arising from the report be referred to the Head of Strategic Support for further investigation.

Reasons

1. To enable the Committee to ensure that the operation of the Members' Allowances Scheme complied with the published standards and controls.

2. To ensure that the issues could be investigated and a response given, and if necessary recommendations made for addressing any unresolved issues.

10. ANNUAL UPDATE RE THE ANTI-FRAUD & CORRUPTION STRATEGY AND WHISTLE-BLOWING POLICY

A report of the Head of Strategic Support was submitted a report providing the committee with information on the operation of the Anti-Fraud & Corruption Strategy and Whistle-blowing Policy during 2021/22. (Item 11 on the agenda filed with these minutes).

The Committee were informed that

- The two policies would need reviewing following the SLT review due to changes in Officer's job titles. This would happen in September 2022.
- There had been no internal fraud directly affecting the Council.
- There had been some fraud and attempted fraud in regard to Covid Business Grants. Eight of these cases had been prevented before they could come to fruition. Three cases had been identified in post-payment checks.

The Committee were advised in response to questions that:

- Some of the money lost in Covid Business Grants fraud had been recovered, however this was Central Government money rather than Council money.
- Part of staff induction at the Council was to learn about the whistleblowing policy and staff were aware of the option to whistleblow, however, cases were few and far between.

RESOLVED that the report be noted.

Reason

To ensure the Committee is kept up to date on the operation of the policies, and instances where they have been applied.

The Strategic Director for Environmental and Corporate Services left the meeting for the duration of this item and returned following its conclusion.

11. ENVIRONMENTAL AUDIT

A report of the Strategic Director of Commercial Development, Assets and Leisure was submitted updating the Committee on the outcome of environmental audits undertaken for April 2022. (Item 12 on the agenda filed with these minutes).

The Committee were informed that whilst 2021 had been a challenging year, 2022 had been an improvement. A plan was in place to address non-conformance issues. This was largely due to staff changes at the Town Hall which would be addressed moving forward.

The Committee were advised in response to a question that it was acknowledged that there was concern that none of the 15 issues identified had been completed, however it was thought that these would be completed within the financial year. A plan was in place to address these issues and the Sustainability Development Officer was confident that the recommendations would be met. Issues had been identified and as such could be completed.

Concern was raised by the Committee over the following issues:

- The lack of a waste transfer note indicated that a duty of care had not been followed. The recommended action was to contact the supplier to obtain transfer note, however this needed to be followed up.
- The recommendations appeared to be confusing in terms of the language used. It was suggested by the Chair that Internal Audit could give advice on constructing reports and that reports be proof-read.
- The energy certificate displayed in reception had expired in September 2021.
- The issue of incorrect disposal of waste in the breakout area and the action for a supplier to be contacted needed to be followed up. Concern was raised that there had been no update on the issue since May.

The Strategic Director of Commercial Development, Assets and Leisure proposed that he take the feedback to the Sustainability Development Officer and an update be circulated outside of the meeting within one month.

RESOLVED

1. That the outcome of the report be noted, including the identified actions for any mitigation required.
2. That an update on issues and actions be circulated to the Committee within one month.

Reason

1. To ensure the Committee is kept informed of the Council's approach to managing environmental risks related to the Environmental Management System.
2. To dispel confusion around elements of the report and to address the Concerns raised by the Committee.

12. TREASURY OUTTURN REPORT 2021/22

A report of the Head of Financial Services was submitted reporting to the Committee the Council's Treasury Management, Investment Management and Prudential Code Outturns for the year 2021/22. (Item 13 on the agenda filed with these minutes).

The Strategic Director for Environmental and Corporate Services attended the meeting to assist with the discussion of this item.

It was noted that there had been a typographical error on the agenda front sheet. The item should have read: Treasury Outturn Report 2021/22.

The Committee were informed that:

- The figure for unfinanced projects essentially represented the amount in the Capital Plan for regeneration and forward funding of the Enterprise Zone
- The Outturn for the unfinanced items was zero for the last financial year.
- With regard to the Capital Plan with regard to the Housing Revenue Account (HRA) had not been completed to the level expected. Partly due to the inability to get into houses during the Covid-19 restrictions and partly due to the Decent Homes Contract changing from a situation whereby one contractor had been employed to having different contractors for different aspects. This meant that there was a difference between the budget and the outturn. It was hoped that the situation would improve.
- With regard to the Capital Finance Requirement (CFR), £81 million had been borrowed. £2million of this had related to the General Fund borrowed in 1984 and more recently £79 million had been borrowed for the HRA when the Council went out of the Housing Subsidy Regime. In theory the borrowing requirement was £106 million. The difference reflected the internal borrowing the Council were able to finance around the commercial property portfolio. The Council's cash-flow meant that it did not need to externally borrow. The limit for borrowing was set each year in the Capital Strategy, the next would come in February 2023.
- Financial cost as a proportion of net revenue scheme was negative. This was because interest receivable was higher than interest payable.
- At the end of the last financial year the Council had £64.5 million in Investments/Cash Held. Part of the reason for the increase was due to grant money from the central government to cover business rate relief.
- The Sterling Overnight Index Average (SONIA) was the new way of benchmarking investments.
- Under IFRS Standard 9 – there was a requirement to account for any losses in investments, including those associated with property investment. Investments were currently valued above purchase price so this was not yet an issue. A Commercial Property Reserve also existed to cover any potential losses.
- The Capital Strategy for 2023-34 would come to the Audit Committee.
- Treasury Management Training would be provided to members of the Committee.

The Committee were advised in response to questions that:

- The £79 million borrowing on the HRA had nothing to do with investment in stock. It was money the Council needed to pay central government to exit the Housing Subsidy Allowance in order to assume property of the stock from central government.
- The HRA Capital Programme was currently financed through revenue contributions and no borrowing was planned. Under the 'Charnwood Standard' bathrooms and kitchens in Council housing needed to be replaced every 5-6 years. Sometimes it had been longer between replacements which had

- created a surplus in the HRA. The Business Plan for the HRA had set out what needed to be done over the next year with regard to kitchens and bathrooms.
- The HRA Capital underspend was reflected in the Capital Financing Fund. This had been separated out from the HRA reserve. The Capital Finance Reserve could be used to pay down debt, but could also be used to invest in stock if required.
 - With regard to Auditing the Capital Programme, a discussion between relevant officers would be needed as to what would be included in the Audit. The concerns of the Committee would be taken on board.

RESOLVED that the report be noted.

Reason

To acknowledge the Committee's consideration of the matter.

13. WORK PROGRAMME

A report of the Head of Strategic Support was submitted to enable the Committee to consider its work programme. (Item 14 on the agenda filed with these minutes).

RESOLVED that the Committee proceeds on the basis of its work programme, which incorporates all decisions made at this meeting.

14. EXEMPT INFORMATION

It was resolved that members of the public be excluded from the meeting during the consideration of the 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.

15. INVESTMENT PERFORMANCE REPORT - Q1 (APRIL TO JUNE) 2022/23

An exempt report of the Strategic Director for Commercial Development, Assets and Leisure. (Exempt item 16 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 15E. 2022/23).

NOTES:

1. No reference may be made to these minutes at the next meeting of Full Council 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.
3. The Strategic Director for Commercial Development, Assets and Leisure, Information Technology Delivery Manager, Councillor Parsons and the Audit Manager joined the meeting remotely.