

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 12 FEBRUARY 2024 - 4.00 PM



PRESENT: Councillor K French (Chairman), Councillor G Booth, Councillor G Christy and Councillor J Mockett

APOLOGIES: Councillor S Tierney

Officers in attendance: Peter Catchpole (Corporate Director and Chief Finance Officer), Amy Brown (Assistant Director), Mark Saunders (Chief Accountant), Sian Warren (Deputy Chief Accountant), Sam Anthony (Head of HR and OD), David Thacker (Interim Internal Audit Manager) and Jo Goodrum (Member Services & Governance Officer)

ARMC26/23 APPOINTMENT OF VICE-CHAIRMAN FOR THE MUNICIPAL YEAR

Proposed by Councillor French, seconded by Councillor Christy and agreed that Councillor Mockett be appointed Vice-Chairman for the remainder of the municipal year.

ARMC27/23 PREVIOUS MINUTES.

The minutes of the meeting held on 20 November 2023 were confirmed and signed as an accurate record, subject to the inclusion of the attendance of Councillor Nawaz.

ARMC28/23 TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2024/25

Members considered the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024/25 presented by Mark Saunders, Chief Accountant.

Members asked questions, made comments and received responses as follows:

- Councillor Booth referred to borrowing money in the future, which is likely to be through Public Works Loan Board (PWLB) and asked if it is correct that the Council is looking to make any borrowing after September when rates are expected to decrease? Mark Saunders confirmed that it would be around this time but it depends upon the timing of a variety of items, with the capital programme cash flow tending to be towards the second half of the year by the time the schemes get up and running and similarly with the normal cash flow it tends to be higher in the first half of the year than it does in the second half.
- Councillor Booth asked if the PWLB's rate is about 5%? Mark Saunders confirmed that it is just over 5%, with a discount for being a local authority. Councillor Booth continued that it was just after the budget in 2022 when all the rates increased and the effects are still being felt now. Mark Saunders agreed, the property funds invested in March 2022 was in good timing as within the next 6 months things went completely haywire in terms of interest rates and the impact on some of the property type funds, with the Council still suffering the consequences of this but they are long-term investments so it is hoped that this situation will be rectified. Peter Catchpole added that the Council will always look at a range of options when borrowing money and have used internal borrowing as much as it can but equally it

might not be the PWLB because although all the local authorities plead poverty there is still a lot of cash in the system and it might be that the Council does short-term borrowing from another local authority as that might be more beneficial. He stated that the Treasury Management Strategy looks at options every day and the Council has professional advisors and no action is taken without taking advice and looking at lots of different options, with PWLB historically being good but they did hike their rates as a reaction to a lot of the commercial borrowing that local authorities were undertaking. Peter Catchpole made the point that this Council is always very careful and would look at the circumstances at the time when looking to borrow.

- Councillor Christy referred to the external interest payments revised estimates and asked if this was as the result of interest changes? Mark Saunders responded that it would be a combination of the fact that the Council will be taking more borrowing next year and £618k is the amount that is on the Council's current borrowing and does depend upon the extent of the borrowing that is required.
- Councillor Christy referred to Section 5 on the Capital Programme and asked what sort of assumptions are being used on things like capital grants and Section 106 and other contributions which seem to be decreasing quite significantly as well as the forecast capital expenditure. Mark Saunders responded that the capital grants for this year and next year are grants which the Council knows it is likely to receive as they part of the funding arrangements for particular capital projects and also incorporate the £1,194k, which is essentially to do with disabled facilities grants that the Council receive funding from the Government and this figure will not be known until these years which is just taken forward into the future and if more or less is received the programme is scaled accordingly. He added that the Section 106 is based upon what the Council has received to date, with £1 million of the £1,025k being in relation to affordable housing which is being used to part fund the local authority housing fund but going forward that is using some of the money the Council has got set aside for recreation grounds and playground equipment received from developers.

Members endorsed the strategies to be included in the final budget report for 2024/25.

(Councillor Booth declared in the interests of transparency as there was an investment with Yorkshire Building Society that he did work for this building society five years ago)

ARMC29/23 INTERNAL AUDIT PLAN 2023/24 - PROGRESS REPORT QUARTER 3

Members considered the progress against the Internal Audit Plan 2023/24 for Quarter 3, with an update on the resourcing situation within the Internal Audit Team, presented by David Thacker, Interim Internal Audit Manager.

Members made comments and asked questions as follows:

- Councillor Christy referred to Section 2.3 regarding the cyber security audit and asked how this is progressing as within the past couple of months there has been an increase in cyber attacks in the public and private sector with some authorities shutting down because of this? David Thacker responded that he is personally undertaking this audit and he is trying to finalise it now with the Head of ICT, it is more in relation to the governance angle and he is confident with the protections the Council has in place and that the Council is going beyond what it needs to do, with the National Cyber Centre Essentials report passed with flying colours and the firewall having been upgraded. He stated the biggest weakness is users which is normal so training needs to be improved and the understanding of what staff can do.
- Councillor Booth referred to the lack of a Publication Scheme, but he is sure the Council must have had one at some point so is it saying it was not on the website and it has just dropped off over time? Amy Brown responded that the information has always been there on the website but it has not been pulled together, there is a reference to a Publication

Scheme on the website so it has existed at some point and she is not aware when it was removed or why but every piece of information that is required to be published by the Council has always been published. She stated that a central page has now been created which lists everything from the model Publication Scheme and puts the links here for people to access the information on other pages on the website so it was the entry point that was missing to easily navigate to the different places where the information was contained. Councillor Booth stated that the information was buried basically. Amy Brown responded not on purpose but this new entry point makes it abundantly clear to people what they need to click on to find it. Councillor Booth asked is it possible that when the website was refurbished that this is when this got lost? Amy Brown stated that this might have been possible because there was reference on the page to its existence and some authorities have printed the model Publication Scheme but this Council has tried to thread it all through so that under each heading there is the specific link to the policy but she is unable to definitely say why or when it got removed but it was a very easy task to rectify as all the information existed on the website.

- Councillor Booth referred to future governance as the same could happen again if the Council changed the website so are officers going to undertake bi-annual checks to make sure it is all in place? Amy Brown responded that this is a good suggestion and it could be treated like a policy so that it is added to the register of policies with a review date. David Thacker added that from an audit point of view outstanding issues would be looked at and followed up so there is tracking that audit would undertake and it would be revisited from a risk-based point of view as well.
- Councillor Booth referred to a lack of formal training and awareness on FOIs and asked is the issue that staff do not know that it is a FOI request they are receiving and how to deal with them? David Thacker responded that from the audit sampling a lot of it came down to an understanding of what constituted a request then the resources to undertake it, prioritisation and getting the information from the relevant service. Amy Brown added that that FOIs are primarily dealt with by Member Services via an FOI account, with colleagues being reasonably good at recognising when they receive requests for information but it does not always come through FOI and there has been a process of training within FOI over the last couple of years and upskilling within the team to be able to recognise and apply exemptions and to provide support to the services that are responsible for responding to these requests. She stated that part of the training that needs to happen is to identify 'champions' within the different services to recognise requests, knowing what exemptions can be applied and potentially creating some capacity to respond to them as sometimes the issue is the resource to be able to deal with a huge request which can be resource intensive. Amy Brown added that there is the need to get better at recording that it is completely acceptable for the Council to request an extension in certain circumstances, which may make the results more compliant than they currently do. Councillor Booth made the point that if there are new starters, is it part of their induction and do they know who to refer to as it may be a new concept to them. Amy Brown agreed and that is something that is being looked at to be included in inductions as there is a module on GDPR but it is wider than this and the time is also right now to look at refreshing and reviewing the training that staff have had in the past.
- Councillor Booth referred to larger requests and asked for clarification that is there not an exemption that if the request is going to take so many hours that it can be declined and is this ever used as he acknowledges that there may be spurious requests as well and how are these dealt with? Amy Brown responded that they do try but to be able to say that something is vexatious or manufactured to deliberately create disruption to the Council is quite a high bar as set against this is the legislative requirement and the guidance which means the Council should try and be as obliging as possible. She stated that requests have to be taken at face value and if at face value the request creates some issues for the Council it will be dealt with but largely the requests are legitimate, there is a 19 hour cut off but different people have different views on this as well because some people will take it that if it is going to take more than 19 hours you provide nothing at all but this Council looks

and says what can be provided in 19 hours or works with the person who is requesting the information to try and get them to narrow down their parameters. Amy Brown stated that there are a few requests each year that generate a huge amount of information but it is legitimate and it probably will not take 19 hours but even 5-6 hours out of somebody's 20 working day deadline that was not expected can have an impact and that is why it is the intention to develop the champions and a better support network. Peter Catchpole added that the complaints process is changing also so the LGO are currently out for consultation to make it a lot slimmer so where this Council operates a three stage process it is likely to be a two stage so synergies are being looked at between complaints and these sorts of requests. He stated that a report is brought on how services are performing on FOIs to Management Team so visibility of this area is much improved, with the number of FOIs seeming to go up each year, with the Council generally dealing with them very well but it is about making more people aware and not just relying on a few people all the time. Councillor Booth stated that he understands that a lot more lobbying groups are making requests to obtain information and he recognises that it takes up a lot of resources.

Peter Catchpole referred to staffing and that Internal Audit has been very difficult to recruit to, with the previous Audit Manager being at the Council for 22 years but when she did leave some fresh pair of eyes came in, which has helped enormously. He stated that the Council is out for advert, which has been undertaken before and was not successful, and he is also having discussions with other neighbouring authorities, who are equally having similar problems, in relation to potential consortiums or sharing resource, with many of things being run in parallel and the committee will be kept updated.

Members noted the activity and performance of the Internal Audit function.

ARMC30/23 RIPA POLICY

Members considered an update on the Council's use of the Regulation of Investigatory Powers Act 2000 (RIPA) and the revised RIPA Policy presented by Amy Brown, Assistant Director.

Members asked questions, made comments and received responses as follows:

- Councillor Booth referred to him saying in the past that the Council seems to be fairly proportionate in the way it uses these powers, although he thinks it needs to be used more for fly tipping as this is quite a big issue particularly in the rural areas. He asked in relation to using the power once this year was it in relation to fly tipping or was it something completely different? Amy Brown responded that she is happy to share this information with him outside of the meeting. Councillor Booth stated that one of the issues that has been reported in the past is for local authorities to understand if someone lives in the catchment area and this Council does use it sparingly and he has said in the past that as this area has such a big issue with fly tipping it needs to be considered using this power to try and combat this as it is only going to get worse. He stated that he understands about GDPR and not going into specifics of individual cases but feels he could be provided with broad areas. Amy Brown responded that when the Council relaunches the policy, if the amendments are approved today, that area of the business can be focussed in on to see whether they feel comfortable with the policy, understand it, are confident to use it and if there are any areas where they could use it in relation to fly tipping to address the concern of it not being used enough. She made the point that there are quite high thresholds that have to be crossed to be able to use the powers anyway and then a JP has to be persuaded that the correct procedures have been followed, with there often being other ways of dealing with these issues that do not require something quite so invasive.
- Councillor Christy thanked officers for the report, which contains a lot of information, and he feels the most interesting part was the case law examples, especially those examples where it had been found against the local authority, which bring the document to life and through training people should be made aware of those examples as it would be very easy

to fall foul of some of those case law examples. Amy Brown agreed that it is good to have practical examples and some of this has been added to the policy, with a commitment to retrain and on a bi-annual basis. She explained that it is an arduous process to get an application approved and it does help for people to understand but not put them off either.

Members noted the annual report on the Council's use of RIPA and approved the amended RIPA Policy.

ARMC31/23 CORPORATE RISK REGISTER - QUARTERLY UPDATE

Members consider an update to the Council's Corporate Risk Register presented by Sam Anthony, Head of Human Resources and Occupational Development.

Members asked questions, made comments and received responses as follows:

- Councillor Booth referred to a question he raised at the last meeting in relation to actions and putting deadlines or targets against them. He provided an example being that one of the changes is around reviews being ongoing in service areas and changes will be delivered but the timescales are not known, is it going to be a year or 5 years, questioning how the success can be measured when doing those reviews and delivering the actions. Councillor Booth asked that target dates be added to specific activities and where they are ongoing for it to say ongoing. Sam Anthony agreed that this can be added and as the report indicates the transformation service reviews have commenced and they are rolling out, with two taking place currently, and she feels that an update can be included with the next Risk Register.
- Councillor Christy referred to Section 6 and asked on the current risk is there anyway it could be indicated if those scores are trending up or down or changing at all as some risk registers he has seen use an arrow scheme to show whether it is increasing, decreasing or staying the same. Sam Anthony agreed this could be added but stated that the risks have not moved since they were last reported. Peter Catchpole added that he seems to remember that Councillor Booth has suggested this previously and he feels it is a good idea and would be beneficial.
- Councillor Booth made the point that it does indicate though that there is no change last time the report was considered and there is no change this time and is the committee satisfied that the Council's risk register and issues are that static as you would normally see some movement in it particularly when you deliver actions because you have a better control environment and reduce the potential for that risk to occur. Peter Catchpole responded that there is a risk expert at the meeting with the involvement of David Thacker, he is part of the Risk Group and will be adding ideas and suggestions with a fresh pair of eyes.

Members agreed the latest Corporate Risk Register.

ARMC32/23 AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

Members considered the Audit and Risk Management Committee Work Programme.

Peter Catchpole highlighted that the work plan is lighter than normal, with it containing very little from External Audit, with it now being out to consultation again on what is happening with External Audit, which the Council will be responding to but they are referring to these end dates now for undertaking certain years, but it looks very unlikely that this Council will have a full audit for 2022/23. He stated that the Council has just published its 2022/23 draft accounts on the website, which do not have to come before this committee, but a copy will be sent to members, with the auditors having undertaken some work on 2022/23 but just for a Value for Money report, which is still awaited. Peter Catchpole expressed the opinion that it looks unlikely that there will be a full audit for 2022/23 and the Council's auditors are now focussing on 2023/24, which was also the

change over if you had new auditors under the PSAA but this Council still uses Ernst Young, which is good as if they are not undertaking a 2022/23 audit how would opening balances be checked. He made the point that the Council has been very fortunate with Mark and the team that there has been clean audit reports for many years but they are looking at September 2024 as being one of the first deadline dates for completing audits up to 2022/23 but it is believed that this Council is working to 2023/24 for a full audit so it is unknown what will happen for 2022/23 and what will be brought to this committee, but there will be a Value for Money report when this is received

Councillor Booth questioned the value for money report and asked will there not be the audit of the housing benefit account as there is never a clear audit of this due to the way that legislation is made so are they not even doing this audit this year? Peter Catchpole responded that he believes the Council will receive this. Mark Saunders added that External Audit will carry on doing these audits but they are some way behind and the consultation talks about the backlog of the audits, with up to 2022/23 being complete by September 2024 but that will involve auditors providing qualified opinions and not full opinions and they will provide opinions based upon the work that they have actually managed to do on that audit so there will be lots of disclaimers and it is a way for them to fast track the audits of those accounts, with them concentrating heavily on the 2023/24 accounts undertaking preliminary walkthroughs with them of all the systems prior to the end of year to get ready for the 2023/24 audit. He stated that there has been no indication from them exactly when the 2023/24 audit is going to be undertaken, the draft accounts are due for publication at the end of May, but this could slip given the timescales of everything else and officers are just continuing with what they need to undertake. Mark Saunders expressed the view that he is unsure why they are consulting again as these dates have been around for a while as there needs to be a stage where everything is on an even keel and one of the biggest reason why it has got out of sync is they mentioned various regulation changes but it is the fact that the way they conduct the audit on some of these issues and the two biggest issues that effect virtually all councils which caused untold delays and problems are asset valuations and pension valuations and they need to address this issue because if they do not in 3-4 years' time it could be the same situation again because every authority employs experts to provide these valuations and the auditors spend endless amount of time checking what other experts have undertaken and then if they disagree there is a whole rigmarole that has to be undertaken. He expressed the view that the process needs to address things on two fronts, getting back up to date and then getting back on track, addressing it from the reporting and disclosure side, which they have said they are going to do but they have also said this for a number of years now in trying to simplify the accounts and make them easier to understand. Peter Catchpole referred to audit fees as he previously advised the committee the fees were rising by 151% and the Council's average audit fee going forward would be approximately £155,000 from a base of about £34,000 and he is not sure what will happen with audit fees and, in his view, if they are not doing the work the Council cannot be expected to pay but this is another issue as the Council still accrues the full fees.

Councillor Booth stated that the other knock-on effect is if the auditors have not undertaken a full audit for 2022/23 it is going to be extra work the following year so, therefore, the fees for that year are going to be even higher. He asked if any feedback has been provided to them? Peter Catchpole responded that feedback is provided all the time, and the consultation will also be responded to, but the answers will be the same, particularly that the accounts are too complicated and also the Council is having to paying twice for experts. He feels that virtual auditing is causing all sorts of problems because there is no substitute for having auditors on site to deal with an issue rather than having to scan documents to them and going backwards and forwards. Peter Catchpole expressed the view that the whole process needs a reset, but it is not just about dates but also about the work, simplification of the accounts and the way audits are carried out.

Councillor Booth made the point that pension valuations are only as good as the day they are calculated anyway because the way the stock markets moves. Peter Catchpole agreed this is part of the problem as the valuation is undertaken and the auditors do not come in until later and they want to see what changes have happened, there is a post balance sheet events and the longer

that period between signing those accounts off the more things change. Mark Saunders added that it is incredibly volatile and the pension valuation for 2021/22 was £46 million at the end of the year and for 2022/23 it was £8 million and there are more statutory overrides around how it is accounted for, so it does not impact on the revenue account.

Peter Catchpole referred to the fact that it said there would be some training on the Statement of Accounts, but it was not felt prudent to do this at this time so hopefully this will be provided later in the year when it is relevant. Mark Saunders added that this is part of the audit process as well, so committee have seen the accounts, have a chance to go through them and ask questions about them prior to the auditors undertaking their work to give committee a better understanding of the accounts.

Peter Catchpole referred to an action of the appointment of an Independent Member and at present legislation does not say that the committee has to have an independent member, it seems to be going this way and when the Interim Internal Audit Manager undertakes his audit opinion that will probably talk about an independent member as well. He stated that a report will be brought back to the committee, possibly in July, to get a steer from committee on how this wants to be taken forward. Councillor Christy supported this approach.

Members noted the workplan and for it to be updated as appropriate.

ARMC33/23 ITEMS OF TOPICAL INTEREST.

There were no items of topical interest.

5.07 pm

Chairman