

Audit Agenda



Wednesday 14 February 2024 at 7.30 pm

Conference Room 2 - The Forum

The Councillors listed below are requested to attend the above meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Membership

Councillor Birnie
Councillor Douris
Councillor Elliot

Councillor S Hobson
Councillor Reynolds (Vice-Chair)
Councillor Stewart (Chair)

For further information, please contact Corporate and Democratic Support or 01442 228209

AGENDA

10. PRE MEETING QUESTIONS & RESPONSES (Pages 2 - 6)

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QUESTIONS TABLE – WEDNESDAY 14 FEBRUARY – Cllr Stewart

Report Title: SICA Report

Page and Paragraph Number	Question	Responsible Officer	Response
Page 14	What reports to the Corporate Health and Safety Board have not been implemented and is there a plan to address this?	Philip Lazenby, Director of Audit, TIAA Martin Kirk, Head of Health, Safety and Resilience	Please refer to page 18 of the report. These reports have now been implemented.
Page 22 Page 2	Which action does the December 2023 relate to and has it been completed?	Martin Kirk, Head of Health, Safety and Resilience	Local management review of risk assessments. The instruction manuals have now been placed on the top of each of the Microwaves at the Forum Old Town Hall risk assessments (RA2 Kitchen and Bar - and RA6 Theatre Main space) still being reviewed. Grovehill Adventure Playground risk assessments have now been reviewed.
Page 25	Will guidance be provided alongside the standard template risk assessment form?	Martin Kirk, Head of Health, Safety and Resilience	Guidance will be provided to support the completion of the revised risk assessment. This is part of the web site review.
Page 31/32	Will the schedule of Audits be completed in time?	Philip Lazenby, Director of Audit, TIAA Fiona Jump, Head of Financial Services	Yes, with the exception of the Housing Transformation Improvement Programme (HTIP) review which is currently under discussion with the relevant service. A request is expected to be brought before committee at the March 2024 meeting to move this review to 2024/25 to allow completion of the next phase of HTIP prior to the review taking place. Some other 2023/24 service reviews may be issued as draft as year-end, awaiting management comments before being issued as final. This will not impede delivery of the annual Head of Internal Audit Opinion.

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Page 34/35	Can these recommendations be closed as it will be implemented via project management governance?	Philip Lazenby, Director of Audit, TIAA	Subject to the approval of Audit Committee, this can be done.
Page 38	Change the action completion date to reflect the updated status	Joshua Smith, Head of Safe Communities	This recommendation is expected to be implemented by 31/03/24.
Page 39	Change the action completion date to reflect the updated status	John Worts, Information Security Manager	The questionnaires referred to in the most recent update are expected to be completed by 31/05/24.
Pages 41/42/44	Can the Audit committee be provided with a status report on the project/contract to support improvements with the procurement and contract activities? Status report to include: an explanation of this area; what problem(s) are we trying to address; who is responsible for this, what are we going to do to address this and by when.	Ben Hosier, Head of Commercial Development	Please see Table 1 below.

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Table 1- Status update – Procurement improvement support

Report	FY	Recommendation	Priority	Update
22/23 Procurement	2022	Regular review of the Contracts Register to ensure accuracy true to agreements and establish action taken prior to expiration of contracts. It might also be considered to assign responsibility to this within the Commissioning & Procurement Standing Orders.	3	Work continues to progress with the update on the Contracts Register and Procurement Forward Plan. Both of these documents are due to be presented to the Statutory Officer Group in early March. Work on updating the Commissioning & Procurement Standing Orders is also ongoing with Altair (external contractor) arranging interviews with both Statutory Officers and the Strategic Director.
22/23 Procurement	2022	Contract Management of Major Council Contracts to be reported on and supervised in line with performance indicators identified within the tender proposals. This is to support the Council in hitting agreed targets, ensuring that value for money	3	The work that is ongoing regarding updating the Commissioning & Procurement Standing Orders will also suggest recommendations for categorising contracts (based on values/complexities). Once this update work has been completed (and

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		prevails, and that non-compliance or poor performance can be identified/ addressed proactively, prior to a contract failing. Frequency to be agreed between Head of Commercial Development and Scrutiny Committee.		taking note of the impact that the Procurement Act may have on this subject) a report will be presented to Commercial Board to highlight the updates and to suggest recommendations on how contract performance should be presented. Formal contract management training has also commenced with a cohort of 10 individual officers currently undertaking a mini MBA on contract & commercial management, with other practical contract management training being delivered later this year.	
Page 4	22/23 Procurement	2022	It is recommended that action be taken to ensure all tender documentation is completed are retained, in conjunction with officers being reminded of the importance of doing so in line with standing Orders, procurement procedures and document retention polices.	3	The work that is ongoing regarding updating the Commissioning & Procurement Standing Orders will address this issue. Once this review is completed and awareness training programme will be developed and delivered across the Council.

Report Title: Treasury Management

Page and Paragraph Number	Question	Responsible Officer	Response						
				2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Page 53	Can we see the split of Capital Receipts & Reserves	Lexi Schultz, Financial and Regulatory Accounting Manager		£000	£000	£000	£000	£000	£000
			Capital Receipts	15,760	14,980	20,107	14,383	1,974	2,054
			Reserves	15,845	17,715	14,244	11,887	12,541	11,564
				31,605	32,695	34,351	26,271	14,515	13,617
Page 53	There appears to be a switch from internal to external borrowing. Is	Fiona Jump , Head of Financial	<u>There appears to be a switch from internal to external borrowing. Is there a reason for this?</u>						

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Page 5	<p>there a reason for this and should this concern us?</p>	<p>Services; Lexi Schultz, Financial and Regulatory Accounting Manager</p>	<p>One of the ways the Council can finance its capital programme is by borrowing either internally or externally, after other capital financing sources such as capital receipts are used.</p> <p>Internal borrowing tends to be cheaper than external borrowing. Internal borrowing is where the Council uses its cash balances rather than borrowing from the PWLB (Public Works Loan Board) or other financial institutions. The PWLB is a government body, part of HM Treasury and a major provider of loans for capital purposes to local authorities.</p> <p>With internal borrowing, the Council is reducing its cash balances and therefore investments, which in turn, reduces the interest received (income). The reason for undertaking internal borrowing is that it reduces future interest payable (expenditure) that would be incurred if the Council externally borrowed. Interest rates on borrowing tend to be higher than interest received on investments.</p> <p>The Council had £120m investments at the end of January 2024 and consistently has had investment balances over £100m in recent years, so there is scope to internally borrow. This high level of cash balances is not expected to continue into the medium term, hence the forecast move from internal to external borrowing over that time period.</p> <p><u>Should the move from internal to external borrowing concern us?</u></p> <p>No. External borrowing is a standard way in which a Council can finance its capital programme. Cash balances are not expected to reduce to a level that would cause concern in terms of the Council's cash-flow management. As part of the budget setting process, a robust process was carried out to ensure the Council would have sufficient cash balances forecast to utilise internal borrowing rather than external borrowing. This will be reviewed and monitored regularly and updated yearly in the treasury management strategy/funding for the Capital programme.</p>
Page 54	<p>The non-housing CFR is increasing 3-fold. What is the reason for this? Total CFR is increasing by circa £100m. Should this worry us?</p>	<p>Fiona Jump , Head of Financial Services; Lexi Schultz, Financial and Regulatory Accounting</p>	<p>The CFR (Capital Financing Requirement) increases when the Council has to borrow (internally or externally) to fund its capital expenditure.</p> <p>Historically the Council did not have to borrow to fund its capital expenditure due to other sources of capital financing being sufficient to fully meet the cost of the capital programme. These sources include capital receipts and reserves, grants and other external contributions and revenue contributions. These sources are still available to the Council but are not expected to fully cover the costs of the capital programme going</p>

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		<p>Manager</p>	<p>forward.</p> <p>On the General Fund, the majority of the projects have no external funding. Therefore if the Council wishes to carry out its capital schemes we are likely to need to borrow and this will increase the CFR. The 3-fold increase in the CFR relates to all the General Fund schemes in the capital programme which don't have external funding.</p> <p><u>Should this worry us?</u></p> <p>Again as part of the budget process, the impact of the Capital programme on the revenue budget is calculated and taken into consideration for both the next financial year and the medium financial term to check it is affordable.</p> <p>In addition, on the HRA (Housing Revenue Account) there is a separate 30 year business plan which takes into account the capital programme and its impact on housing budget for the next 30 years. The current plan is seen as affordable.</p>