

MINUTES
AUDIT COMMITTEE
9 NOVEMBER 2022

Present:

Councillors: Chapman
Riddick (Chairman)
Silwal
Symington

Officers: F Jump Head of Financial Services
N Howcutt Chief Finance Officer
N Beresford Head of Strategic Housing
B Hosier Head of Commercial Development
N Sultan Legal Governance Team Leader
S Potton Revenues & Benefits Support Team Leader
T Angel Corporate & Democratic Support Officer
R Rice Head of Property Services (attended remotely)
R LeBrun Assistant Director, Neighbourhood Delivery (attended remotely)

Others: Philip Lazenby (TIAA)
Councillor Elliot (Portfolio Holder, Corporate Services)

The meeting began at 7.41 pm

Cllr Riddick began the meeting by clarifying the proposed meeting format, noting that the intention is not to prevent the opportunity for questioning, and that the aim was to introduce a format used in other committees where more complex questions could be raised with the relevant officer ahead of the meeting to allow them to provide a more comprehensive answer.

N Howcutt suggested it was beneficial to have questions raised with officers ahead of the meeting. P Lazenby agreed and said it was standard practice with other organisations.

25 APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Townsend.

26 DECLARATIONS OF INTEREST

There were no declarations of interest.

27 MINUTES AND ACTIONS

The minutes of the previous meeting were agreed by the members present and then signed by the Chairman.

There were no outstanding action points from the previous meeting.

28 **PUBLIC PARTICIPATION**

There was no public participation.

29 **REGULATION OF INVESTIGATORY POWERS ACT (RIPA) ANNUAL UPDATE**

N Sultan provided the update, noting that the report provides an overview on the council's use of directed surveillance for 2021-22, and that 4 applications were made over the course of the year. It was also noted that the sum of £3,007.71 is the total fine costs, and costs of £1,664.71 have been recorded.

It was noted that of the 4 offences, 3 had not been prosecuted. It was confirmed that these were applications made and that these applications have to be renewed every 3 months. Over the space of the 3 months, there was 1 prosecution.

Cllr Symington asked if 1 in 4 is a normal prosecution rate.

N Sultan advised that 8 prosecutions were processed last week, of which there are 4 related to directed surveillance. It was stated that they are seeing positive results and that they recover all their costs.

Cllr Symington asked for clarification on the costs recovered and it was confirmed that all legal costs are recovered. Cost include the officer's time to put the prosecution together, such as collecting statements and site visits, and there are also legal and clearance costs.

Cllr Symington queried why only Markyate was covered. It was noted that this is a specific problem area where there is a high amount of illegal dumping.

Cllr Chapman commented on the unsuccessful prosecutions and asked if this was where they could provide no evidence. Cllr Chapman asked if those put down as no prosecution is because they found fly-tipping or because they could not justify the fly-tipping. It was clarified that no prosecutions mean that no fly-tipping has been found for the period and does not mean that cases have been dropped.

Cllr Chapman referred to cameras in Markyate and asked if the third camera has been put back on. It was confirmed that this would need to be checked with the officer.

N Howcutt confirmed that they do not publish where cameras are and that this would have to be discussed privately. He added that while there may be multiple cameras in an area, the focus is not just on Markyate.

Outcome

The Committee noted the report.

30 **INTERNAL AUDIT SUMMARY INTERNAL CONTROLS** **ASSURANCE (SICA)**

P Lazenby presented the report, noting the summary of the 5 audit reports issued since the last Committee, 4 of which have reasonable and substantial assurance and 1 has limited assurance, which is presented in full at the end of the report. Looking at page 2 of the report, section 8, P Lazenby highlighted the summary of progress on recommendations and a further update will be presented at the next meeting. P Lazenby highlighted the requested extensions and confirmed that further explanations could be provided.

Looking at the Corporate Health and Safety Audit Report, P Lazenby noted that this has been provided with limited assurance. The audit was taken when the organisation was going through strategic changes and policies and procedures were being updated. There were 9 recommendations made and it was highlighted that the date of 28th February 2023 has been included to allow a follow-up and update for the Committee. It was noted that a large number of the recommendations have already been actioned or are in the process of doing so and a detailed update will be provided with evidence that the issue has been resolved for any priority 2 items. It was noted that recommendations have not been updated and they are now undertaking the follow-up process to confirm that underlying issues have been resolved.

Cllr Chapman commented on item 8 on page 17 of the report, noting that 12 of the 22 outstanding recommendations have been revised and asked what actions had been taken against the other recommendations.

P Lazenby confirmed that the remaining recommendations do not have a revised date, though they remain outstanding at present.

Cllr Symington commented on the wait for a management response and asked if this is to be expected.

PLazenby confirmed that they would normally seek assurance from the responsible officer that there has been progress in respect of issues highlighted and that some mitigations should be provided. R LeBrun advised that the audit was completed in May 2022 and, since this time, a new senior leadership team has come in and there has been a refresh of policies, with a new policy in place. It was noted that there is

also a health and safety strategy and action plan that addresses all issues in the audit and beyond to ensure health and safety considered throughout the organisation. The action plan is in place and is being supported by the new health and safety policy and is backed by a fully-funded training programme.

Cllr Symington noted that this is the first limited assurance report they have received.

P Lazenby responded that this was not correct and highlighted the limited assurance report for waste services recently.

Cllr Symington commented on the changes that have taken place since the audit and asked if the problems have occurred due to management changes.

P Lazenby suggested that the issues pre-dated the management changes.

Next looking at Commercial Asset Management, P Lazenby noted that this was provided with reasonable assurance and just 3 recommendations were raised, 1 of which was flagged as important and refers to terms of reference.

P Lazenby noted the Payroll report, advising that few recommendations were raised and that this is an area that will be reviewed yearly. It was also noted that whilst dates are put to the recommendations, these are for management to implement mitigations and that implementing them beyond this date is considered a failing.

No questions were raised by members regarding the presented items.

Looking at the Housing Benefit Debt Report, P Lazenby noted the 3 recommendations and confirmed that these were broadly accepted by management with the priority 2 recommendation under consideration. It was noted that this was an internal management judgement regarding how to apply internal resources on risk versus return.

Cllr Symington asked how serious it is to have over 1,000 debtors for a balance of £1.2m.

F Jump commented that this is not an unusual amount of debt in terms of housing benefit. On the allocation of resource, F Jump advised that there are number of debts that they are involved in to recover and that there is a scientific process of prioritisation of these debts.

P Lazenby added that he agrees with the management response and that the item is kept under review.

Cllr Symington commented that housing benefit debt is due to overpayments and asked if there is any resourcing to prevent this from occurring. P Lazenby advised

that they haven't made many recommendations in regards to controls as they are broadly effective.

S Potton advised that a large amount of debt is created as a result of DWP initiatives around cleaning up data for people moving over to Universal Credit, causing an increase in reviews and thereby uncovering more debt.

P Lazenby next looked at the Housing Allocation and Homelessness Report, noting the challenges of this area and confirmed that a number of recommendations raised are in respect to what has been seen elsewhere and management have provided detailed responses in respect of these. A number of the recommendations are raised in respect of sample testing that was undertaken, and there are also recommendations around KPIs, structure and resourcing.

Cllr Symington noted the number of housing allocation and homelessness recommendations and asked for clarification on the differentiation between reasonable and limited.

P Lazenby advised that this is a matter of judgement for the individual auditor, though the general guidance is that 1 high priority or 6 medium-level recommendations will be in a limited assurance report. If there are 4-5 medium-level recommendations then this is for the auditor and P Lazenby to make a judgement on.

Looking at appendix B of the report, P Lazenby noted the progress of the audits throughout the year and confirmed that he has no overall concerns on the state of the progress, adding that he anticipates a large number of audit reports being provided at the next Committee meeting.

P Lazenby provided an overview of the follow-up table, noting that this lists the recommendations with revised implementation dates and all recommendations that are or due to become outstanding. The report is provided with the intention to indicate the latest response from management, though a number of additional responses have been received since the report was compiled. P Lazenby highlighted recommendations where the date has been moved historically and no further management updates have been provided.

Cllr Symington commented on procurement, noting that this has returned to Finance and Resources twice, this first time it being a list of items that didn't meet the criteria and that she felt there was little effort to mitigate against this beyond creating a list. Cllr Symington asked how the Committee can recognise that action is being taken.

P Lazenby advised that the person undertaking the review is a long-established auditor and will look to see that management have asserted that the recommendation is being implemented but they also need to be clear that the underlying problem is being addressed. On recommendation 4, P Lazenby explained that the auditor would

be looking to see a downward trajectory rather than just a list of outliers, though this will not prevent the issue recurring and these recommendations therefore need to be monitored.

B Hosier noted that whilst items may be listed for scrutiny, this has significantly reduced the number of procurement standing orders that have been set aside, and it was confirmed that this would be addressed further under item 7.

Outcome

The Committee noted the decision on the outstanding internal audit recommendations as outlined under section 3 of the report.

31 ASSURANCE REVIEW OF PROCUREMENT 2021/22

B Hosier presented the report, noting the recommendations following the internal review in January 2022 and that the management response was to report the number of procurement standing orders are set aside. B Hosier confirmed that the implementation timetable was initially set as 1st April 2022, though Q1 performance is not presented until September. Procurement standing orders were set aside 40 times in 2021-22, whereas this has only happened on 3 occasions in the first 6 months of 2022. It was also noted that since the audit has taken place, the council have now developed a commercial board that meets every 2 weeks to discuss all commercial activities, including the commissioning and procurement of all third party contracts.

Cllr Symington commented on the list of non-compliance expenditure as listed on page 88 of the report and asked what the difference is between setting aside PSOs and non-compliant expenditure.

B Hosier clarified that setting aside PSOs is when a decision is made to award a contract, and non-compliant expenditure is the expenditure undertaken by the council without a contract in place or a contract has expired. The non-compliant expenditure list includes a mitigation that notes the reasons, and all non-compliant procurements are presented to the commercial board.

Cllr Chapman requested further information about the commercial board.

B Hosier explained that it has been chaired by the Chief Executive and Strategic Director of Corporate and Commercial, and is attended by himself as well as representatives from finance and legal. Other ADs (Assistant Directors) or heads of service that are bringing commercial activity to the board for consideration will also be in attendance. It was confirmed that the board does not have the authority to award contracts but it can confirm that a compliant process has taken place before authority is sought.

Outcome

The Committee noted the report.

32 **PSAA 2023/24 EXTERNAL AUDIT PROCUREMENT UPDATE**

N Howcutt provided a verbal update, noting that the Committee had agreed in February to procure the external audit provision from 2023-24 accounts via the government's PSAA. A response was received from PSAA recently with a provision allocation of a new external auditor for the next financial year and a consultation process will now take place where authorities can note any issues or conflicts of interest with the appointed auditor.

N Howcutt advised that government have advised that they expect fees to increase by 150% and they therefore are expecting a significant rise in costs for the audit service, though they do not currently know how much support will be provided by central government. A formal agreement is expected before Christmas, and it was noted that whilst they are a well-known partner, it is new to the local government audit section. N Howcutt confirmed that they will provide a further update when they have received more information, though base costs are around £60,000 and could therefore be looking at costs of around £150,000 for next year. N Howcutt stated that he believes a rise in cost will help improve the sector and the service being provided to the sector, and that it should improve resilience, and that he hopes central government will look to support the arrangement.

N Howcutt advised that if they decided to proceed independently then the cost of procurement would be greater than the cost of the external audit.

33 **EXTERNAL AUDIT UPDATE**

F Jump provided a verbal update, noting that the HCC pension fund audit has been delayed and that they expected assurance to be issued by the end of the month, meaning that the final accounts should be published by the end of November.

34 **MEDIUM TERM FINANCIAL STRATEGY**

N Howcutt noted the inclusion of the report to ensure that all members are aware of the strategy. It was noted that there is a small deficit of £500,000 and that the focus is on delivery of core strategies around commerciality, transformation and efficiencies.

Cllr Symington asked what P Lazenby's role is in the MTFs.

P Lazenby advised that this is a pivotal part of the organisation's future and that he has discussed with N Howcutt how assurance is provided in respect of the medium-term financial arrangements. P Lazenby suggested that there be an audit topic next year looking at MTFs and that he would expect to communicate any concerns he has to external audit.

Cllr Symington clarified that P Lazenby would not be offering any assurance during the meeting and that the item was just for noting.

N Howcutt advised that P Lazenby provides an internal audit annual opinion and also noted that they are currently looking at the 2023-25 internal audit programme, of which one of the core documents is the MTFS. From an organisation perspective, the MTFS forms part of the value for money audit and this should be reviewed imminently.

Outcome

The committee noted the MTFS report.

35 Q2 STRATEGIC RISK REGISTER UPDATE

F Jump presented the update, noting that the social media risk has reduced and advised that the new SLT has helped bring down the score.

N Howcutt advised that a strategic risk review has been undertaken and will receive internal sign off in November ahead of December Cabinet approval. N Howcutt stated that they had hoped to present this to the Committee and that he hoped the Committee will find the new strategic risks are more appropriate for the current organisation.

Outcome

The committee noted the report.

36 INTERNAL AUDIT RE-PROCUREMENT PROCESS

Full details can be found in the Part 2 Minutes.

37 WORK PROGRAMME

There were no changes to the work programme.

The Meeting ended at 8.54 pm