



## **Audit Committee**

**Date:** Friday, 10 December 2021

**Time:** 10:00

**Venue:** Cathedral Room

**Present:** Councillor Pamela Birks, Councillor Jeffrey Bomford, Councillor Mrs Ann McKerrell, Councillor Keith Meller, Councillor Mrs Linda Mitchell  
Councillor David Shepherd (for Councillor Mrs Valerie Tarbitt)

**Also Present:** Councillor Ellis, Finance, Governance and Resources Portfolio Holder

**Officers:** Corporate Director of Governance and Regulatory Services  
Corporate Director of Finance and Resources  
Principal Accountant  
Principal Auditor

### **AUC.60/21 APOLOGIES FOR ABSENCE**

Apologies for absence were submitted on behalf of Councillors Mrs Tarbitt and Ms Patrick, and the Key Audit Partner / Director - Grant Thornton.

### **AUC.61/21 DECLARATIONS OF INTEREST**

No declaration of interest were submitted.

### **AUC.62/21 PUBLIC AND PRESS**

RESOLVED - That the Agenda be agreed as circulated.

### **AUC.63/21 MINUTES OF PREVIOUS MEETINGS**

RESOLVED - 1) It was noted that Council, on 9 November 2021, received and adopted the Minutes of the meeting held on 24 September 2021. The Chair signed the minutes.

2) That the minutes of the meeting held on 11 November 2021 be agreed as a correct record.

### **AUC.64/21 MINUTES OF BUSINESS AND TRANSFORMATION SCRUTINY PANEL**

The Minutes of the meeting of the Business and Transformation Scrutiny Panel held on 7 October 2021 were submitted for information.

RESOLVED – That the Minutes of the meeting of the Business and Transformation Scrutiny Panel held on 7 October 2021 be noted.

## **AUC.65/21 VALUE FOR MONEY UPDATE**

In the absence of the Key Audit Partner / Director, Grant Thornton, the Corporate Director of Finance and Resources read out a statement on his behalf. The Value for Money conclusions, which were ordinarily submitted with the External Audit of Accounts, were expected to be received by the end of January 2022 along with a draft auditor's report; in the work undertaken thus far, no significant weaknesses or key recommendations had been identified. It was yet to be determined how the information would be shared with the Audit Committee, for example, whether a Special meeting to consider the matter would be required or if the information was able to be circulated by the Corporate Director of Finance and Resources.

RESOLVED - That the Value for Money Update be noted.

## **AUC.66/21 INTERNAL AUDIT PROGRESS 2021/22 (OCTOBER TO NOVEMBER)**

The Principal Auditor submitted the Internal Audit Progress 2021/22 (October to November) report (RD.57/21). The report provided an overview of the work carried out by Internal Audit between October and November 2021 along with information regarding: progress against the agreed Audit Plan, performance indicators, previous audit recommendations, and the amendments to the Internal Audit Plan.

Members' attention was drawn to paragraph 2.4 of the report, and were advised that, in relation to the internal audit of Property Income, ongoing discussions had been held with the service manager and it was expected that a report on the matter would be submitted at the next meeting of the Committee.

In relation to the internal audit of ICT Controls where the filling of vacant posts had been recommended, the recruitment exercise had not been successful. As such further activity was required and Internal Audit would remain in dialogue with Officers on the matter.

Local Government Reorganisation had led to delays in some managers implementing internal audit actions. A process for assessing risk exposure had been developed and would be implemented where appropriate. The Principal Auditor advised the Committee that the actions in relation to the outstanding ICT recommendations that were the responsibility of Organisational Development had been actioned and should also have been closed on the schedule.

A Member asked whether the Council was aware of any cyber security breaches having taken place?

The Principal Auditor responded that none had been reported, however, the issue remained ongoing as the Council was subject to a number of attempted breaches on a daily basis.

RESOLVED - That the Audit Committee:

- 1) Noted the progress against the Audit Plan 2021/22
- 2) Received the final audit assignments as outlined in paragraph 2.2
- 3) Noted the progress made on audit recommendations to date outlined in Appendix B
- 4) Approved the proposed amendments to the Internal Audit Plan 2021/22 in Appendix C.

## **i INTERNAL AUDIT REPORT - CORPORATE INTERNAL CONTROLS**

The Principal Auditor submitted the Internal Audit Report - Corporate Internal Controls (RD.59/21). The audit had provided reasonable assurances and generated 3 medium graded recommendations which the Officer provided an overview of.

A Member noted that notifications sent to Members in relation to e-learning did not stipulate whether a course was mandatory, she suggested including such information would be useful.

The Corporate Director of Finance and Resources advised that it was not feasible to make courses mandatory for Members, however she undertook to raise the matter with the Organisational Development Team who may be able to highlight some training modules as important or highly recommended.

RESOLVED - 1) That the final audit - Corporate Internal Controls report be received.

2) That the Corporate Director of Finance and Resources liaise with the Organisational Development Team regarding the content of notification of e-learning modules for Members

## **ii INTERNAL AUDIT REPORT - DISABLED FACILITY GRANTS**

The Principal Auditor submitted the Internal Audit Report - Disabled Facilities Grants (RD.61/21). The audit had provided reasonable assurances and generated 3 medium graded recommendations which the Officer provided an overview of.

RESOLVED - That the final audit - Disabled Facilities Grants report be received.

## **iii INTERNAL AUDIT REPORT - ENVIRONMENTAL STRATEGY**

The Principal Auditor submitted the Internal Audit Report - Environmental Strategy (RD.60/21). The audit had provided reasonable assurances and generated 7 medium graded recommendations which the Officer provided an overview of.

RESOLVED - That the final audit report - Environmental Strategy report be received.

## **iv INTERNAL AUDIT REPORT - NEIGHBOURHOOD SERVICES (CULTURE)**

The Principal Auditor submitted the Internal Audit Report - Neighbourhood Services (Culture) (RD.62/21). The audit had provided partial assurances and generated 1 high graded and 6 medium graded recommendations.

The Principal Auditor gave an overview of the processes used in conducting the audit, which had been identified as necessary as a result of increased contact by staff with Officers from HR and Trade Unions. The strong performance of the team, particularly in light of the Covid 19 pandemic and HGV driver shortage, was recognised. Following the survey work carried out with operational staff, management, Trade Unions and HR, the audit clients were provided with a detailed presentation of the outcomes which were accepted. The Principal Auditor summarised the audit recommendations.

In considering the report, Members raised the following questions and comments:

- With reference to a previous internal audit of a team based at Bousteads Grassing, a Member noted that supervisions not being carried out had been an identified issue, she

expressed disappointment that the issue appeared to have escalated rather than having been resolved.

The Principal Auditor advised that in the process of this particular internal audit the issue of supervision had been considered at all levels within the service, it was hoped that the issue would improve going forward.

The Deputy Chief Executive advised that some managers within the service were not as effective as others at actively carrying out supervisions, he was confident that through the process of the internal audit had satisfactorily covered the issue. There had been a restructure of the team which it was hoped would lead to a more effective and consistent approach in the service. The Organisational Development Team had carried out some mediation and training work with the team which had led to an increase in supervisory performance.

In response to a question from a Member regarding the use of appraisals within the team, the Deputy Chief Executive advised that given the way the service operated, annual appraisals were not the method of intervention; dialogue between staff was regular and would identify issues that needed to be addressed. The Deputy Chief Executive acknowledged the need to revert to a more consistent use of the annual appraisal.

- Had the Human Resources team been at expected staff resource levels?

The Principal Auditor advised that there had been staff resource issues previously but that it was now at full capacity.

- A Member noted that some staff had commented on the difference in difficulties of working on the refuse or recycling collection rounds.

The Deputy Chief Executive noted that the refuse collection routes were perceived as easier as they involved a single receptacle and crews were switched between the two types of collection routes. The routes used had also been redeveloped to take into account new housing development in the district and also increased use of home delivery services.

RESOLVED - That the final audit Neighbourhood Services (Culture) report be received.

## **AUC.67/21 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2022/23**

The Corporate Director of Finance and Resources submitted report RD.53/21 which set out the Council's draft Treasury Management Statement for 2022/23 in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) for 2022/23 were incorporated into the Statement, as were the Prudential Indicators as stipulated on the Prudential Code for Capital Finance in Local Authorities.

The report had previously been considered by the Executive and the Business and Transformation Scrutiny Panel. The Committee considered the report on an annual basis, there were no significant changes over the last year, the report provided an updated commentary on the economic forecast.

In relation to the Appendix A - Draft Treasury Management Statement, paragraph 6.1, the Chair suggested it would be helpful to indicate in the table which of the heading areas were

within acceptable levels.

The Corporate Director of Finance and Resources responded that in relation to those items there were no targets or standard levels, however, she agreed some additional narrative would be useful and undertook to incorporate some in the final version of the Statement.

RESOLVED - That the Draft Treasury Management Statement, Investment Strategy and Minimum Revenue Provision Strategy 2022/23 be received.

## **AUC.68/21 TREASURY MANAGEMENT QUARTER 2 2021/22 AND FORECASTS 2022/23 TO 2026/27**

The Corporate Director of Finance and Resources submitted the Treasury Management Quarter 2 2021/22 and Forecasts for 2022/23 to 2026/27 (RD.49/21) which provided a quarterly report on Treasury Transactions along with an interim report on Treasury Management as stipulated in the Financial Procedure Rules. The Council's Treasury Management estimates for 2022/23 with projections to 2026/27 were set out in the report along with the requirement of the Prudential Code on Local Authority Capital Finance.

The Corporate Director of Finance and Resources noted that, as at the end of September 2021, the rate of interest the Council had achieved on its investments, 0.22% and property returns, 4.0% were above base rate.

In relation to cash balances, the Council may not wish to further extend its borrowing as a result of Local Government Reorganisation (LGR) and to create an unnecessary liability for the new authority. The Treasury Management Forecasts (Appendix C) still outlined a five year plan, and the pressures on the revenue budget set out a worst case scenario position in terms of existing borrowing.

In considering the report, Members raised the following questions and comments:

- Would the Council's existing bonds and borrowing transfer to the new authority following LGR?

The Corporate Director of Finance and Resources responded that in preparation for LGR a significant amount of work was required to aggregate and disaggregate the relevant Councils' balance sheets. Debts may generally be linked to the asset to which it was related, the Council had one existing loan of £13M which would be aligned to the new authority.

- Would the financial status of Copeland Borough Council have an impact on the assets held by the City Council?

The Corporate Director of Finance and Resources explained that she had not yet read the report into the financial status of Copeland Borough Council. She noted that the budgets of the district authorities in Cumbria were far smaller than that of the County Council and that under LGR, the budgets and assets would need to be considered in the round so as to properly understand the financial position. The Shadow Authority would consider the matter once it was a live organisation and would make recommendations as to the way forward in terms of Medium Term Financial Plans etc.

RESOLVED - That the Treasury Management Quarter 2 2021/22 and Forecasts 2022/23 to 2026/27 be noted.

## **AUC.69/21 LOCAL AUDIT AND ACCOUNTABILITY ACT 2014 – APPOINTMENT OF EXTERNAL AUDITORS**

The Corporate Director of Finance and Resources submitted the Local Audit and Accountability Act 2014 - Appointment of External Auditors (RD.63/21). The report summarised the arrangements for the appointment of external auditors for the five year period 2023/23 to 2027/28.

The Corporate Director of Finance and Resources recommended that the authority opt into the PSAA scheme, she noted that all of the other Cumbrian district local authorities had indicated that they were intending to do so. In terms of the new councils, which would be created via the Local Government Reorganisation in Cumbria, they would have an option to join the scheme.

A Member commented that the proposal sounded reasonable.

RESOLVED - That the Audit Committee recommend to Council:

- 1) That Council opt into the sector led procurement of local authority external auditors and accept the PSAA invitation for the five year period from 2023/24 to 2027/28; and that
- 2) Delegation be provided to the Corporate Director of Finance and Resources, in consultation with the Chair of the Audit Committee to complete the Formal Notice of Acceptance on behalf of the Council.

## **AUC.70/21 STATEMENT OF ACCOUNTS 2021/22 UPDATE**

The Corporate Director of Finance and Resources submitted the Statement of Accounts 2021/22 Update (RD.56/21). The 2020/21 Accounts had recently been signed off and work had commenced on the preparation of the 2021/22 Accounts. There had been no significant change to the 2021 Code of Practice on Local Authority Accounting which would affect the Council, however, consideration was being given to the implications of implementing of IFRS16 - Lease Accounting.

RESOLVED - That the Audit Committee:

- 1) Noted the update on the 2021/22 Accounts
- 2) Approved the accounting policies to be used in the preparation of the 2021/22 Accounts.

## **AUC.71/21 PUBLIC AND PRESS**

RESOLVED - That in accordance with Section 100A(4) of the Local Government Act 1972, the Public and Press were excluded from the meeting during consideration of the following item of business on the grounds that it involved the likely disclosure of exempt information, as defined in Paragraph Number 3 of Part 1 of Schedule 12A to the 1972 Local Government Act.

## **AUC.72/21 ANNUAL REVIEW OF COUNTER FRAUD ARRANGEMENTS 2020-21**

The Principal Auditor submitted the Annual Review of Counter Fraud Arrangements 2021-21 (RD.58/21) which provided an overview of the counter fraud arrangements at the Council and included, where appropriate suggestions for development.

Officers responded to Members questions on the report.

RESOLVED That the Annual Review of Counter Fraud Arrangements 2020-21 be received.

The Meeting ended at: 11:02