



AUDIT AND GOVERNANCE COMMITTEE

MEETING : Monday, 7th March 2022

PRESENT : Cllrs. Wilson (Chair), Brooker (Vice-Chair), Bowkett, Evans, Melvin and Pullen

Others in Attendance

Audit Risk and Assurance Group Manager
Financial Services Manager

Accountancy Manager
Internal Auditor

Democratic and Electoral Services Officer

Also in Attendance

Councillor Norman (Ex-Officio)

APOLOGIES : Cllrs. Patel and Durdey

46. DECLARATIONS OF INTEREST

There were no declarations of interest.

47. MINUTES

47.1 Councillor Wilson pointed to the narrative outlined in minute item 33.2 of the previous meeting. He asked whether the possibility of hiring a 'kickstarter' apprentice to examine smaller VAT claims was still ongoing. The Financial Services Manager confirmed that this had not yet been followed up on, owing to more pressing priorities but could be investigated at a later date.

47.2 In response to a query from Councillor Wilson regarding minute item 35.1, the Financial Services Manager confirmed that the report for the Benefit Subsidy Audit had now been completed and that a report would come before the Audit Committee.

RESOLVED – that the minutes of the meeting held on 17 January 2022 were approved and signed as a correct record by the Chair.

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48. PUBLIC QUESTION TIME (15 MINUTES)

There were no public questions.

49. PETITIONS AND DEPUTATIONS (15 MINUTES)

50. INTERNAL AUDIT ACTIVITY PROGRESS REPORT

- 50.1 The Audit Risk and Assurance Group Manager summarised the contents of the report. The purpose of the report was to inform Members of the Internal Audit activity progress in relation to the approved Internal Audit Plan 2021/22. She stated that she wanted to provide assurances to the Committee that since the IT Cyber Incident, work had continued and that assistance had been provided to the Finance and various other teams within the Council.
- 50.2 Councillor Pullen pointed to page 6 of the report, which referenced an investigation into an individual who was undertaking a second paid job outside the Council on top of working for the Authority. He asked what the situation was in regard to City Council staff working second jobs and whether it was a HR or Audit issue. The Internal Auditor replied that with that particular case, the reason it was highlighted as a potential fraud issue was because the employee in question was alleged to have been working a second job, whilst on full time sick leave in their capacity as an employee at the City Council.
- 50.3 In response to a further question from Councillor Pullen, the Internal Auditor confirmed that City Council employees could have a second job outside of the Council and reiterated the reasons as to why that particular case was investigated.
- 50.4 In response to a question from Councillor Wilson regarding how they were assisting Council services in response to the Cyber Incident, the Internal Auditor stated that, at the start of the Cyber Incident, work around processes were put in place, that they were currently undertaking a data exercise and that they had been liaising and working with the finance team. The Audit Risk and Assurance Group Manager added that since January, they had temporarily suspended their work due to the understanding of the position the Council was in. She added that they had been in contact with officers from Revenues and Benefits weekly.
- 50.5 Councillor Wilson stated that his concern was that the controlled environment that existed before the Cyber Incident would be compromised and confirmed that he was reassured by the points made by the Internal Auditor and Audit Risk and Assurance Group Manager. He stated that it was his assumption that dealing with the Cyber Incident was taking up a lot of officer time. He said that some items contained in the year's programme would have to rolled over into the next financial year. He stated that he believed that the Community Infrastructure Levy (CIL) and Section 106

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should be looked at as a priority. He noted that he could not see anything in relation to Recyclables in the plan.

- 50.6 The Internal Auditor noted that regarding Recyclables, a draft report had been written but it was on a drive that was currently inaccessible. He said that once access to the sever had been restored, that report would be completed.
- 50.7 In response to a question from Councillor Wilson regarding whether it was feasible that some instances of fraud would be missed owing to the fact that they could not currently benefit from biennial data matching administered by the Cabinet Office, the Audit Risk and Assurance Group Manager stated that whilst the Cabinet Office had placed some restrictions on data matching (which was currently being reviewed) they had been working directly with officers to support localised data matching where possible. She confirmed that once the Cabinet Office had lifted restrictions, full data matching could reoccur. The Internal Auditor added that the data used for data matching was historical so that it would still be there once systems were operational again.
- 50.8 In response to a further question from Councillor Wilson, the Internal Auditor confirmed that data could be retrospectively uploaded.
- 50.9 In response to a question from Councillor Pullen regarding why the Climate Change Strategy's activity status was deferred, the Internal Auditor stated that they did not believe they could complete the Climate Change Strategy plan for the year ending 21/22. This was predominantly caused by the Cyber Incident. He stated that the plan was for it to be completed by 22/23 and that he believed that the Climate Change Strategy was already being written.
- 50.10 Councillor Pullen noted that the target for the Climate Change strategy to be completed was Q3 in 22/23. He asked how they could audit a plan that did not exist. In response, the Internal Auditor stated that the targets were flexible so the report could be completed earlier. He added that discussions had taken place with officers as to what could be included in the strategy.
- 50.11 In response to a further question from Councillor Pullen, the Internal Auditor stated that he had spoken to the Climate Change Manager and that the CLS report would be used as a baseline report on which the Climate Change Strategy Report would build.

RESOLVED that: - the Audit and Governance Committee:

- (1) Accept the progress against the Internal Audit Plan 2021/22; and
- (2) Accept the assurance opinions provided in relation to the effectiveness of the Council's control environment (comprising risk management, control and governance arrangements).

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51. INTERNAL AUDIT PLAN 2022-23

- 51.1 The Audit Risk and Assurance Group Manager summarised the content of the report which provided the Committee with a summary of the draft Risk Based Internal Audit Plan 2022/23, as required by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS) 2017. She highlighted the fact that the report looked different to Internal Audit Plans of previous years, that it was more precise, concise and that they had opted to provide a high level of detail. She noted that the plan was a snapshot and that targets and priorities could change over the year. She further added that she welcomed feedback on both the content and the layout of the Internal Audit Plan compared to previous years.
- 51.2 In response to a question from Councillor Wilson in regards to the Cyber Incident Support Audit referenced in the plan, the Internal Auditor stated that the Audit could take a variety of shapes. He stated that it could be a report, or consultancy work and that he could not yet confirm whether it would take the form of a formal report.
- 51.3 In response to a question from Councillor Wilson, the Audit Risk and Assurance Group Manager stated that the Cyber Incident was not necessarily the biggest risk to delivering the Internal Audit Plan but that the incident meant that they may have to continuously adapt their work.
- 51.4 Councillor Wilson asked whether the external auditors had been kept up to date in regard to the Cyber Incident. In response, the Financial Services Manager replied that they had been having regular conversations with external auditors.
- 51.5 In response to a question from Councillor Gravells, the Internal Auditor stated that at least one of the issues on the Work Programme was suggested by a Member. The Audit Risk and Assurance Group Manager added that they valued feedback from Members and encouraged Members to contact them to discuss any questions or issues they had.

RESOLVED that: - the Audit and Governance Committee:

- (1) Agree that the Internal Audit Plan for 2022/23 reflects the risk profile of the Council; and
- (2) Approve the Internal Audit Plan 2022/23 as detailed in Appendix A.

52. TREASURY MANAGEMENT STRATEGY 2022/23

- 52.1 The Financial Services Manager summarised the content of the report. He stated that the report was the framework summarising how the Council were borrowing and investing money for the next financial year, as well as the

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limits that they were operating within. He pointed to paragraph 3.3 of the report which highlighted the fact that the 2022/23 treasury management strategy recommended to continue operating within an under-borrowing position. He noted that paragraph 3.5 of the report focused on the Council's strategy in regard to short term borrowing. He stated that section 2.1 of the strategy set out the Council's capital expenditure plans. He stated that the tables in that section of the report showed that the Council overborrowed against the Councils Capital Financing Requirement (CFR) in the financial years of 20/21 and 21/22 but that they were forecast to under borrow in 2022/23, 2023/24 and 2024/25. He highlighted paragraph 2.4 of the strategy which outlined the minimum revenue provision. He stated that the minimum revenue provision was the amount of money the Council put aside from the revenue budget to pay for capital funding. The Financial Services Manager explained that the third section of the strategy was focused on borrowing and confirmed that the reason for the Council previously overborrowing was to pay for pension pre-payments to reduce liabilities. He pointed to paragraph 3.2 of the strategy, which highlighted the limits to borrow activity by the Council from the Treasury. He said that the rest of the strategy set out the implications for future borrowing and the impact that could have on the Council.

- 52.2 Councillor Melvin asked whether the escalating situation in regard to the invasion of Ukraine created additional risk to Council finances. In response, the Financial Services Manager stated that Treasury Advisors looked at the worldwide situation and the impact that events may have on the Council's finances. He stated that the Council did not invest in anything high risk and that they were limited to investing in banks and money market funds. He stated that he would like to think that the Council was out of significant risk but that all worldwide events had an impact on costs and rates.
- 52.3 Councillor Wilson noted that he believed that the Treasury Management Strategy was prudent and risk averse, which he believed was the smartest course of action considering the wider economic/political situation.

RESOVLED that: - the Audit and Governance Committee **RECOMMEND** to Council that the Treasury Management Strategy be approved.

53. CAPITAL STRATEGY 2022/23

- 53.1 The Financial Services Manager summarised the contents of the report. He stated that a lot of the information contained within the report had similar information as the Treasury Management Strategy. He stated that p.51 of the Capital Strategy report contained a breakdown of key projects contained within the capital programme.
- 53.2 Councillor Wilson noted that the report mentioned revenue budget implications. He stated that Capital projects had complicated depreciation values, and he asked whether there would be a potential impact whilst calculations were being done manually. In response the Financial Services Manager stated that this was something that was being looked at but prior year calculations were available to officers.

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53.3 Councillor Melvin thanked officers for their hard work in dealing with the Cyber Incident.

RESOLVED that: - the Audit and Governance Committee **RECOMMEND** to Council that the Capital Strategy be approved.

54. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED that: -

The press and public be excluded from the meeting during the following items of business on the grounds that it is likely, in view of the nature of business to be transacted or the nature of the proceedings, that if members of the press and public are present during consideration of this item there will be disclosure to them of exempt information as defined in Schedule 12A (para. 3) of the Local Government Act 1972 as amended.

55. IT SYSTEMS UPDATE

RESOLVED that: - the Audit and Governance Committee note the verbal update as per the exempt minutes.

56. EXEMPT MINUTES - 17 JANUARY 2022

RESOLVED that: - the exempt minutes of the meeting held on 17 January 2022 were approved and signed as a correct record by the Chair.

57. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

57.1 Councillor Wilson stated that the work programme only covered the next Audit meeting. He stated that there would be a work programme for the rest of the year provided at the next Committee meeting, when it became clearer where they were in regards to the Cyber Incident.

57.2 Councillor Wilson stated that in regards to the requirement to appoint an Independent Member, he understood why this had not yet happened owing to delays caused by the COVID-19 pandemic and the Cyber Incident but noted that it would soon be a requirement and that he would like to have it resolved by the next Audit Committee meeting.

57.3 The Financial Services Manager noted that the Annual Accounts should be going before the July Committee also.

57.4 Councillor Wilson noted that there was an issue with signing off Annual Accounts for auditing purposes across the country, predominantly as a result of the COVID-19 pandemic.

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57.5 In response to a query from Councillor Wilson regarding the Annual Accounts, the Financial Services Manager confirmed that he would inform the Chair of the Audit Committee when the accounts were to be signed off.

RESOLVED that: - the Audit and Governance Committee NOTE the work programme.

58. DATE OF NEXT MEETING

Monday 18 July at 6.30pm in the Civic Suite, North Warehouse

Time of commencement: 6.30 pm hours

Time of conclusion: 7.35 pm hours

Chair