

TEWKESBURY BOROUGH COUNCIL

Minutes of a Meeting of the Audit and Governance Committee held at the Council Offices, Gloucester Road, Tewkesbury on Thursday, 24 March 2022 commencing at 10:30 am

Present:

Chair
Vice Chair

Councillor V D Smith
Councillor H C McLain

and Councillors:

C M Cody, D W Gray, H S Munro and P E Smith

A&G.41 ANNOUNCEMENTS

41.1 The evacuation procedure, as noted on the Agenda, was advised to those present.

A&G.42 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

42.2 Apologies for absence were received from Councillors P A Godwin and P D McLain. There were no substitutes for the meeting.

A&G.43 DECLARATIONS OF INTEREST

43.1 The Committee's attention was drawn to the Tewkesbury Borough Code of Conduct which was adopted by the Council on 26 June 2012 and took effect from 1 July 2012.

43.2 There were no declarations made on this occasion.

A&G.44 MINUTES

44.1 The Minutes of the meeting held on 15 December 2021, copies of which had been circulated, were approved as a correct record and signed by the Chair.

A&G.45 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

45.1 Attention was drawn to the Audit and Governance Committee Work Programme, circulated at Pages No. 12-18, which Members were asked to consider.

45.2 Accordingly, it was

RESOLVED That the Audit and Governance Committee Work Programme be **NOTED**.

A&G.46 EXTERNAL AUDITOR'S ANNUAL REPORT 2020/21

- 46.1 Attention was drawn to Grant Thornton's annual report 2020/21, circulated at Pages No. 19-53. Members were asked to consider the report.
- 46.2 The representative from Grant Thornton explained that there had been some changes to the value for money assessment with the scope being much broader than in previous years. There was no longer a requirement to give a specific formal opinion on the arrangements, instead the external auditor's reported in more detail on the authority's overall arrangements focusing on three areas: financial sustainability, governance and improving economy, efficiency and effectiveness. The report before Members was a high-level summary of work undertaken as part of the broader scope review. In terms of the outputs from that assessment, under the new Code of Audit Practice, there were three types of recommendations that could be issued: unsatisfactory opinion - where real concerns had been identified in the authority's arrangements which required prompt action; key recommendations – if significant weakness was identified; or, improvement recommendations – an opportunity to look at ways the authority could improve and strengthen the arrangements already in place. An overall summary in relation to Tewkesbury Borough Council's value for money arrangements and key recommendations was set out at Pages No. 21-22 of the report. In terms of financial sustainability, no significant weaknesses had been found but four improvement recommendations had been identified. With regard to governance, two improvement recommendations had been identified along with one key recommendation in relation to delivery of the Internal Audit Work Programme for 2021. This had been discussed at a number of previous meetings of the Committee and, clearly, there had been a need to resource the response to the pandemic; however, this had been looked at across all authorities and, whilst a lot had scaled back internal audit resources to redeploy staff and support the wider Council response, Tewkesbury Borough Council was the only one that Grant Thornton was aware of so far which had not delivered any of its Internal Audit programme. There was a lot of evidence of reduced programmes of work but others had delivered at least the minimum core programme in order to give assurance on systems of internal control. The representative from Grant Thornton advised that, in a crisis situation, it was more important than ever to have a programme in place to ensure checks and balances were maintained as this was when authorities were more prone and susceptible to those controls being overridden and challenged. There was now an opportunity to think about how to maintain a minimum level of resource for internal audit going forward and, as the Council began to move out of the emergency response and into the recovery phase, it was evident from the additional papers in today's Agenda that internal audit was focusing on the future in terms of reinstating resources in the service and reinstalling the normal programme. With regard to improving economy, efficiency and effectiveness, it was noted there were no significant weaknesses but two improvement recommendations had been made.
- 46.3 A Member drew attention to Page No. 41 of the report and indicated that she would like to see the environmental emergency and its associated risks included as the economy would be more efficient and effective if more thought went into the reduction of carbon etc. She was surprised it was not included as she felt this should be at the heart of every Council decision. The representative from Grant Thornton absolutely agreed and indicated that planning for the response to the climate change emergency and environmental aspects was something she believed would come into the programme going forward. Grant Thornton had to operate within a specific framework to assess authorities on a level playing field and there were specific criteria based on National Audit Office guidance; however, that was not to say there was no discussion of the climate agenda, just that it was not a specific sector-wide requirement currently.

- 46.4 The Head of Finance and Asset Management advised that the management response to the key recommendation was set out at Pages No. 24-26 of the report. He explained that Tewkesbury Borough Council was a small rural authority with limited levels of staffing in comparison to most other authorities. Delivery of the Government business grants scheme was a significant task which needed to be done quickly and required individuals with a certain skill set, as such, there had been no choice but to redeploy the Internal Audit team to assist with that - if the Council was in that situation again, it was likely the decision would be the same. What had not been foreseen was the length of the pandemic and the ongoing nature of business grants delivery throughout 2021, and into 2022, which had meant that the internal audit function had not operated for the duration of 2020/21. Notwithstanding this, a lot of the audit plan was based on risk and, with almost £31m business grants paid out, that scheme was by far the largest area of financial risk for the Council, particularly as it was open to fraud and abuse. Therefore, the redeployment of the Internal Audit team had been critical and was now paying dividends as there was a high level of compliance and low levels of fraud which was much better than a number of other local authorities. Nevertheless, it was accepted there had been no internal audit function during that period and a plan was being put in place to deliver an Internal Audit Plan over the next three years encompassing the first year of the pandemic and the coming year. Resources were being reinvested into internal audit in order to increase capacity to deliver more in year three.
- 46.5 Whilst he accepted the external auditors' recommendation, the Chair supported the action which had been taken by Officers and felt it was the right decision based on the situation at the time. He wished to put on record his thanks to the Internal Audit team for the work they had done to ensure grants were delivered to the public. Another Member agreed that what had been done was completely understandable but also that Grant Thornton had to highlight it. He asked whether anything had slipped through the net as a result of the absence of an internal audit function, and if Officers would even be aware of that, and if there were any potential areas of concern which would need to be focused on during the first 100 days of the plan. The Head of Finance and Asset Management indicated that it was unfortunate that the Head of Corporate Services was unable to attend today's meeting as he would have a better idea of where resources were likely to be placed. A lot of Council services were still in response mode and therefore could not be available to internal audit, as such, the first part of the plan would pick up areas that were available for review – if there had been any major failings or breakdowns in control it was likely Officers would already know about them. During the second half of the year, when services were hopefully back to normal, there would be more detail on specific cases that would be picked up by internal audit and taken into 2023/24.
- 46.6 A Member drew attention to improvement recommendation 8, set out at Page No. 43 of the report, which related to benchmarking and he asked if this was something which other Council's did and whether there was a comprehensive database available to use for those purposes – it was a good idea but he wondered if it was practical and whether the information was available to allow meaningful comparisons to be made. In response, the Head of Finance and Asset Management agreed that, in principle, it was an excellent idea but it was important to take care with benchmarking as it could only give an overview of what might need to be investigated and it was necessary to have the resources in place to look into the issue in detail. The Chartered Institute of Public Finance and Accountancy (CIPFA) had previously published statistics and was a highly reliable resource but the number of local authorities participating had reduced therefore the reliability had also decreased. Notwithstanding this, local authorities still provided returns to Government so statistics could be produced in relation to revenue outturn etc. He undertook to look into this further to see if good data was available for benchmarking which could be incorporated into financial reporting to relevant

Committees going forward. The representative from Grant Thornton advised that benchmarking was a useful tool to support medium term financial planning; whilst the current financial position of the authority was looking healthy, it was important to think about the longer-term, especially whilst waiting for a decision about Government funding streams. Comparisons against nearest neighbours and those authorities with a similar set-up would help to understand what others did well and gave scope for future opportunities, savings and efficiencies. A Member expressed the view that, if benchmarking did exist then Tewkesbury Borough Council ought to be contributing so the fact it was not raised the question of how meaningful the available data was. The Head of Finance and Asset Management felt this was a good point as qualitative information was needed to gain a full picture of what was going on, for instance, if there was the same level of outputs/quality etc.

- 46.7 With regard to improvement recommendation 3, set out at Page No. 33 of the report, a Member noted that the Council's cashflow forecasting was for four months and at the same time he noted there was only an annual settlement which made forecasting into the future extremely difficult. Although he appreciated the recommendation and accepted it was sensible to forecast, he suggested either a rolling cashflow forecast or planning for one year ahead. The representative from Grant Thornton explained that a rolling cashflow position was fine. Some decisions the authority made were in response to an immediate requirement and reports were taken to the Executive Committee on the treasury management position and how that was being delivered against but it was important to supplement so that, if the need arose later down the line, Members had the information to understand the expectation. She appreciated that a lot of estimation was required but it would give a medium-term view of the Council's liquidity position. The Member asked if outcomes would be set-up and measured against that and was advised that no specific key performance indicators were being proposed, the recommendation was simply saying that a very short term view was being taken on the cashflow position and there would be merit in looking at a slightly longer-term horizon. The Head of Finance and Asset Management advised that, from an Officer perspective, cash flow was set at the start of the year for a 12 month period based on the information available but he was happy to do this on a rolling basis, although it was more difficult given the constantly changing economic situation. The level of investments which were call-able, and the ability to borrow from those investments in the event of cashflow difficulties, meant that the Council was able to respond quickly to any issues. Ideally, forecasting would be further into the future but he did not think there was a serious financial risk from not being able to do that.
- 46.8 In respect of improvement recommendation 4, set out at Page No. 34 of the report, which stated that consideration should be given to making a clear distinction between statutory and discretionary spending in budgetary information provided to Members and published on the Council's website, a Member asked what was the norm in other authorities. The Head of Finance and Asset Management advised that, in his experience, Councils reported in a number of different ways and, from Tewkesbury Borough Council's point of view, there had never been a call to report this from key stakeholders, such as Members, so it did not differentiate between statutory and discretionary spending – there was an element of discretionary spending within statutory services so if this recommendation was implemented it would be necessary to break down services into statutory and discretionary and to do something with support services as these were in groupings currently which allowed more scrutiny. Making this change would result in a lot more work for something which had not been requested by stakeholders. The representative from Grant Thornton advised that the recommendation was trying to highlight the fact that decisions were getting harder for authorities as the financial position was becoming more uncertain, for instance, identifying alternative ways of delivering services or

not continuing with services etc. so when the Council was setting its budget Officers should think about how to inform Members to make the decisions they needed to make when approving the budget – this was hard without knowing the ‘must-do’s’.

46.9 Turning to improvement recommendation 5, set out at Page No. 35 of the report, which suggested that savings plans over the life of the Medium Term Financial Strategy should be formalised and approved by Council with any savings being monitored to ensure the required amounts were being met, a Member noted from the management comment that consideration was being given as to how individual reporting could be formally collated, and what the most appropriate level of reporting was, and she asked what the timescale was for this. The Head of Finance and Asset Management advised there was currently no timetable but it would be picked up in quarter one 2022/23 as a specific recommendation. The authority currently reported to different Committees and Working Groups including Executive Committee, Overview and Scrutiny Committee and Transform Working Group so this information was available but was not collated into one report for the benefit of the Executive Committee as the budget holder for the Council. Officers needed to look at the best way to bring the information together and the level of reporting – it was intended to look at 2023/24 and the difficulties which might be faced that year and an appropriate savings plan that could be put in place. The team was striving to generate more income and become more efficient but this was the twelfth year of austerity so savings plans were not as easily deliverable as they had once been with fewer areas to target for savings each year. A lot of the Council’s future financial sustainability was based on growth and the targets the Government put in place in terms of housing and business growth. The Member asked whether a report would be brought back to the Audit and Governance Committee and clarification was provided that the report was intended for the Executive Committee as the budget holder for the Council.

46.10 A Member made a general comment about the photographs which had been used in the report - which she assumed were generic - in particular the photograph on the front of the report at Page No. 19 and pointed out that, as a woman, she did not feel particularly included. The representative from Grant Thornton undertook to feed this comment back.

46.11 It was

RESOLVED That the external auditor’s annual report 2020/21 be **NOTED**.

A&G.47 CORPORATE RISK REGISTER

47.1 The report of the Head of Corporate Services, circulated at Pages No. 54-77, asked Members to consider the risks contained within the corporate risk register and assurance that the risks were being effectively managed.

47.2 The Corporate Director advised that the key updates since the last report to the Committee in December were set out at Page No 56, Paragraph 3.1 of the report. With regard to Ref. 3 ICT Network Security, she explained that, given the recent national and local incidents, it was intended to recruit to a newly created cyber role; Ref 5. General Data Protection had been given more resource and all staff would be properly trained; the Carbon Reduction Programme Officer had commenced his role on 22 February which would assist with Ref. 15 Climate Change; and, in terms of Ref. 17 Waste Transfer Station, Grundon had gained planning permission in January 2022 which was good news from a management perspective as this was a serious risk which had been identified last time that had now been mitigated.

47.3 At the last Committee meeting, a Member had questioned whether two additional potential risks should be included within the corporate risk register – the planning improvement plan and the five year land supply. The Corporate Director advised that her view was that the planning improvement plan did not hold a high level of

corporate risk in the same way as those listed in the Appendix to the report. In terms of the five year land supply, it was not considered to be a risk for inclusion in the corporate risk register on the basis that the issues surrounding planning applications were dealt with on their own individual merits. Notwithstanding this, it was felt that a risk ought to be included in relation to the review of the Joint Core Strategy which had been delayed more than anticipated so that would be included in the corporate risk register going forward. A Member indicated that she perceived the lack of a five year housing land supply as a high risk to residents as well as a financial risk to the Council if applications were overturned at appeal. The Corporate Director explained that was a risk of the planning system - planning was a regulatory service and decisions could be challenged by the operation of law which may result in the Council paying costs for that, sometimes even when it was successful; her view was that this was a service risk but not a strategic corporate risk. The Head of Development Services pointed out there was a risk of appeal against refusal of planning permission even with a five year supply but that was the nature of the planning process. The Member asked whether the five year supply would stop being a risk once the Borough Plan had been formally adopted and the Corporate Director explained that, whilst it should mean there was a five year supply, that did not stop applications being permitted which people did not want to be permitted but the tilted balance would not apply. The Head of Development Services clarified that, once adopted, the Council would state there was a five year supply but that would always be challenged by developers.

- 47.4 With regard to Ref. 3 in relation to cyber security, set out at Pages No. 61-62 of the report, a Member asked if cyber training was compulsory for staff and Members and how much it actually reduced risk. In response, the Head of Finance and Asset Management advised that training was mandatory for all staff and there was additional high-level training for management. A Member training session was taking place on 29 March 2022 and, whilst there was an expectation that all Members would attend, they could not be forced to. The biggest risk to cyber security was people which was why all staff were required to undergo training. The Member asked to be provided with the number of Councillors who attended the training. Another Member expressed the view that it was a risk if not all Members had received some sort of cyber training; it had been stated that it could not be made mandatory but she was aware that other organisations did make it mandatory. The Corporate Director explained that political groups had the power to mandate and that was the appropriate place for it to happen in her view.
- 47.5 In relation to Ref. 6 Emergency Planning, set out at Pages No. 64-65 of the report, the Member asked if there was a list of emergencies, for instance, flooding, chemical weapon attack etc. The Head of Community Services indicated that the nature of emergency planning meant it was about unforeseen events. There were some things which could be planned for, such as flooding, and the Local Resilience Forum offered training exercises for certain events with one being run the following month in relation to what would happen if there was a national power outage. In terms of the pandemic, there was a plan in place for the flu but not one for COVID-19 and there were some things which just could not be anticipated. He was unsure if there was a list but, if not, he would be happy to compile one to demonstrate what plans were in place. A Member drew attention to Ref. 7 Swindon Road Depot, set out at Pages No. 65-66 of the report, and asked whether there was any indication that Cheltenham Borough Council was minded to terminate the lease agreement. The Head of Community Services advised that there was no indication of that but there was always a risk that it could choose to do so.
- 47.6 With regard to Ref 8 Safeguarding Arrangements, as set out at Pages No. 66-67 of the report, a Member expressed the view that all Councillors should be subject to Disclosure and Barring Services (DBS) checks given the role they played in their communities. The Head of Community Services indicated that he did not think all

Members could be required to undergo DBS checks; however, staff and Members did receive safeguarding training and certain staff were required to undergo DBS checks as part of their roles. The Corporate Director confirmed that had certainly been the case but it had not been checked recently so she was happy to look into it and report back to Members outside of the meeting. In terms of Ref. 11 Brexit, the Member asked for an explanation of what was meant by 'election – impact on resources' and whether the Government funding of £52,000 was an annual amount or a one-off. She noted that wholesale prices had risen over the past couple of years but a lot of businesses had not passed this on to customers, however, she felt that was likely to happen soon and there may be issues with freedom of movement. The Head of Finance and Asset Management clarified that it was one-off funding which had been received a couple of years ago to address the impact of extra resources that had to be put in place. The Head of Community Services was of the view that the full impact of Brexit had not yet been felt and there could be a risk in terms of not being able to get hold of resources so he undertook to discuss this with the Head of Corporate Services following the meeting.

47.7 In relation to Ref.12 Garden Town, set out at Pages No. 69-72 of the report, a Member was interested to read about the challenges as these had not been raised at the Tewkesbury Garden Town Member Reference Panel. She was particularly concerned about the fact that a business case needed to be submitted to the Government by summer 2022. The Head of Development Services explained that this related to the work which was being led by the County Council on the J9/A46 project. The Garden Town Team bid to Homes England was a separate issue and she confirmed that, as of today, Officers had still not received the outcome of that bid. The Member went on to draw attention to Ref. 13 Ashchurch Bridge, set out at Pages No. 72-73 of the report, and noted that a Parish Council was taking Tewkesbury Borough Council to Court; however, it appeared the work was continuing regardless of that and she asked if that could go ahead without a decision on the appeal. In response, the Corporate Director explained that the Judicial Review had ruled in the Council's favour in January and all challenges had been dismissed but the Parishes had now lodged an appeal which had been taken to the High Court. It made sense for work to go ahead as the Council had been successful in the first instance; however, nothing was being done that could not be stopped and no work would be formally contracted until the outcome of the case was known. A Member raised concern that the grant which was underwriting the building of the bridge may not be enough going forward if costs continued to escalate and she asked whether there was a contingency built-in. The Head of Finance and Asset Management advised that a sizable contingency had been included when the bid was submitted and the contractor had previously indicated that there was still sufficient budget; however, he recognised that costs were increasing almost daily so he would discuss this with the Garden Town Programme Director and ask the contractor to do a more detailed exercise to understand if the costs were still feasible within the current parameters.

47.8 In relation to Ref. 15 Climate Change, as set out at Pages No. 74-76 of the report, a Member noted that grant funding was now being used for the solar canopy and she asked whether the report needed to be updated as she understood that the cost had increased considerably. The Head of Finance and Asset Management explained that the £284,000 funding that had been secured from the Public Sector Decarbonisation Scheme (PSDS) had been realigned to support the delivery of a solar canopy in the Council car park, rather than replacement of the heating systems within the Council Offices as originally intended. A recent tender for the solar canopy had shown that total costs were now in the region of £533,000 rather than £303,000 as per estimates in autumn 2021 therefore a report was being taken to the Executive Committee meeting at the end of the month to request approval to utilise existing reserves in order to deliver the project. Whilst there was a risk of losing the PSDS funding, he felt there was a valid case for the project to go ahead

as it would be a visible sign of the Council's carbon reduction ambitions and a way to address the rising costs of energy. Members were informed that the Council's bid for a further £700,000 to support the replacement heating system had been unsuccessful as the scheme had run out of funding but the Council was now in a good position to go ahead if there was another round of PSDS funding or another opportunity to support that scheme – Officers were keen to secure external funding for the project as soon as possible.

47.9 With regard to Ref. 17 Waste Transfer Station, as set out at Pages No. 76-77 of the report, a Member noted that, at the time of writing the report, the County Council had not renewed the contract and she asked for an update in relation to this. The Head of Community Services explained that Grundon's had gained planning permission which was in place until July 2022 but not beyond that so it needed to submit another planning application. The County Council may consider signing another contract but it was not able to do that until a planning application had been submitted. This was a massive risk to Tewkesbury Borough Council and would have a significant financial impact.

47.10 Having considered the information provided, it was

RESOLVED That the risks and mitigating controls within the corporate risk register be **NOTED**.

A&G.48 STATEMENT OF ACCOUNTING POLICIES

48.1 The report of the Financial Services Manager, circulated at Pages No. 78-96, set out the main changes in accounting policies under the Code of Practice on Local Authority Accounting in the United Kingdom in 2021/22. Members were asked to approve the accounting policies to be used in the preparation of the 2021/22 financial statements.

48.2 The Trainee Accountant advised that there were no major changes to the Code of Practice for the financial year beginning 1 April 2021. The new standard IFRS16, which was a major change in the way leases were treated, had been deferred for another year until at least 2022/23. It was noted that the Council had changed the depreciation on waste bins to 10 years rather than seven years in line with the manufacturers' warranty. A Member asked what the carrying value of the bins was and how the impact would be spread over 10 years rather than seven years and the Trainee Accountant undertook to provide that information following the meeting. A Member drew attention to Page No. 82 of the report which referenced pensions and she pointed out that the County Council had recently reallocated 10% of its Brunel Pension Partnership fund to the newly formed Paris-Aligned Investment Initiative - a collaborative investor-led global forum enabling investors to align their portfolios and activities to the goals of the Paris Agreement - and, whilst she would like to see more progress in this regard, she felt this was a good start.

48.3 It was

RESOLVED That the accounting policies to be used in the preparation of the 2021/22 financial statements be **NOTED**.

A&G.49 CIPFA FINANCIAL MANAGEMENT CODE

49.1 The report of the Financial Services Manager, circulated at Pages No. 97-111, asked Members to approve the Assessment of Compliance with the Financial Management Code and to agree to receive an annual monitoring report on progress against the Code.

- 49.2 Members were advised that the Chartered Institute of Public Finance and Accountancy (CIPFA) had published the new Financial Management Code in October 2019 which was designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. In terms of background, the Trainee Accountant explained that, in July 2018, an independent inspection of Northamptonshire County Council had found that failures at the Council were not due to a lack of funding but a result of poor management, a lack of budgetary control and a culture which discouraged challenge. CIPFA had subsequently developed the Financial Management Code to align the Prudential Code, treasury management and the Code of Practice. The Financial Management Code was based on six principles, as set out at Page No. 99, Paragraph 2.2. of the report, and beneath those were 17 standards which all authorities had to comply with as a minimum.
- 49.3 The Financial Management Code had been due to come into effect from 1 April 2020; however, after further consideration of the ambitions within the Code and the wider resource challenges facing local authorities, particularly during the pandemic, CIPFA had concluded that, by 31 March 2021, local authorities should be able to demonstrate that they were working towards full implementation of the Code and the first full year of compliance would therefore be 2021/22. Due to unprecedented pressures on Council services, the decision had been taken to delay full implementation of the Code until 2022/23; notwithstanding this, work had commenced and the self-assessment had been completed which had shown that, in comparison to other authorities, Tewkesbury Borough Council was performing well in terms of its day-to-day actions. Appendix A to the report attached a draft Assessment of Compliance which included a number of identified actions to be taken forward to assist with the Council's compliance with the 17 standards within the Code. This would continue to be reviewed and refined and a formal assessment would be presented to the Committee on an annual basis.
- 49.4 A Member drew attention to Code Ref 1A on Pages No. 101-102 which referred to the Council having the sixth lowest Council Tax in England and questioned whether this was supposed to be viewed as a positive given that Cheltenham Borough Council received £2.5m more than Tewkesbury Borough Council because it had a "normal" Council Tax rate. In response, the Head of Finance and Asset Management explained that was in the context of value for money for the taxpayer; the Council provided a good level of service at a very cheap price. The Member felt it was important to take the opportunity to educate people and raise awareness of the implications of the low Council Tax rate. Another Member indicated that she could not see any mention of training for Members and budget holders within the Assessment and she raised concern that she had no financial background training but was expected to understand local government finance. The Finance Manager indicated that she would circulate a Member Update attaching the CIPFA Introductory Guide to Local Government Finance which aimed to help local Councillors, those working with and for local Councils, and anybody with an interest in the sector to understand the complexity of local government finance. The Head of Finance and Asset Management pointed out that, unfortunately, the current Council term had been very much disrupted by the pandemic so Members had not received the financial training that would normally be offered following the Member induction programme in 2019. He provided assurance that Officers would be looking at how better financial training could be delivered as part of the induction programme for 2023. A Member expressed the view that training often needed to be repeated so it was important that the training programme was ongoing throughout the course of the Council term and not just during the induction.

49.5 With regard to Code Ref 5L, set out at Page No. 108, a Member noted that a Citizens' Panel was used for targeted engagement on issues and she indicated that she had previously been on that Panel but had removed herself when she became a Member so it would be worth checking there were no other Members on the Panel. She suggested that introducing a Citizens' Panel for other elements, such as the environment, may be beneficial. The Head of Finance and Asset Management undertook to feed these points back to the Head of Corporate Services following the meeting.

49.6 It was

RESOLVED

1. That the Assessment of Compliance with the Financial Management Code be **APPROVED**.
2. That it be **AGREED** that an annual monitoring report be brought to the Audit and Governance Committee in order to consider progress against the Code.

A&G.50 INTERNAL AUDIT PLAN MONITORING REPORT

50.1 The report of the Head of Corporate Services, circulated at Pages No. 112-119, summarised the work undertaken by the Internal Audit team following release of resources from the COVID-19 business cell. Members were asked to consider the audit work completed and in progress and the assurance given on the adequacy of internal controls operating in the systems audited.

50.2 Members were advised that, now the Internal Audit team was back up and running, a number of actions had been implemented since the last Audit and Governance Committee in December 2021 and these were outlined at Pages No. 113-114, Paragraph 2.2 of the report. The actions centred around the people and processes to support the re-establishment of the Internal Audit team. Two audits had been completed to date and full details were attached at Appendix 1 to the report – the main audit was in relation to the creditors system and the overall level of control had been found to be reasonable. In terms of the recommendations arising from that audit, it had been found that purchase orders for some goods or services were being raised after receipt of the creditor invoice which could lead to understatement of commitments against service budgets and no documentation to match to the invoice to check the price etc. which required additional administration and delays in payment. The second audit was in relation to the local authority COVID-19 compliance and enforcement grant to provide assurance that the monies had been spent in accordance with the grant conditions and in a timely manner. The audit had confirmed a substantial level of control and a declaration form signed by the Chief Audit Executive had been issued. Other corporate improvement work undertaken was detailed at Page No. 118 of the report and one outstanding recommendation arising from the risk management audit 2019/20 had now been implemented as set out at Page No. 119 of the report. In terms of work in progress, the debtors audit had shown substantial compliance but three or four grant applications required sign-off by the Chief Audit Executive and that was currently being worked on.

50.3 Accordingly, it was

RESOLVED

- That the Internal Audit Monitoring Report be **NOTED**.

A&G.51 INTERNAL AUDIT SIX MONTH PLAN 2022/23

- 51.1 The report of the Head of Corporate Services, circulated at Pages No. 120-127, set out the proposed Internal Audit Plan for April-September 2022. Members were asked to approve the six month plan as set out at Appendix 1 to the report.
- 51.2 The Head of Finance and Asset Management advised that, in normal circumstances, the plan would be delivered by two full-time equivalent members of staff. Currently the team was resourced with 1.5 full-time equivalents due to the redeployment of resources to the business cell and information governance. Plan delivery was based on 1.5 full-time equivalents plus additional resource from budget reserves which was ringfenced for technical ICT audit work which brought that up to 1.7 full-time equivalents. From July, it was hoped that the work of business cell would come to a conclusion and the Internal Auditor could return to her team. In addition, a new Information Governance Officer post had been approved as part of the 2022/23 budget so, as soon as that had been recruited to, a further 0.5 full-time equivalent could be returned to internal audit. The Head of Finance and Asset Management indicated that he was also looking at new burdens funding to see if that would allow further investment in internal audit. Taking all of this into account, it was hoped there would be 4.2 full-time equivalents delivering the Internal Audit Plan as opposed to the normal two which demonstrated the level of investment into the Internal Audit team which he hoped to see continue into the following financial year. The Internal Audit Plan took into account several key aspects which were detailed at Pages No. 122-123 of the report. It was noted that a number of days had been allocated for follow-up reviews - these had been somewhat neglected in recent months so it was necessary to pick up those recommendations and report back to Members as to whether they had been delivered.
- 51.3 The Chair welcomed the plan and the resources that were being put into its delivery. He had recently had a positive meeting with the Internal Audit team and was confident that progress would now be made. A Member recognised that internal audit cost money so it was a question of balancing risk against the cost of risk management – the pandemic had inadvertently meant that the Council had functioned without internal audit for the last year and, based on that, he asked whether 4.2 full-time equivalents was sensible and if the balance was right. In response, the Head of Finance and Asset Management explained that the 4.2 full-time equivalents was a temporary measure in order to help with recovery and that would go back to the normal level of two going forward. In his view, this was the right amount of resource to adequately inform the internal audit function and gain a sense of reassurance. A Member expressed the view that the plan ought to include something environmental as the Council had been doing so much work in that regard and the Head of Finance and Asset Management indicated that he was sure audits of the solar canopy and delivery of the carbon reduction plan would be included in future plans.
- 51.4 It was
- RESOLVED** That the Internal Audit Six Month Plan 2022/23 (April-September) be **NOTED**.

A&G.52 INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

- 52.1 The report of the Chief Audit Executive (Head of Corporate Services), circulated at Pages No. 128-135, provided Members with the Quality Assurance and Improvement Programme. Members were asked to consider the report.
- 52.2 The Internal Auditor advised that, in line with the requirements of the Public Sector Internal Audit Standards (PSIAS), the Chief Audit Executive must develop and maintain a Quality Assurance and Improvement Programme. The proposed Programme, attached at Appendix 1 to the report, was split into two parts – the first section provided a summary of the Council’s internal audit process and assessed its efficiency and effectiveness and the second section set out the improvement programme for the next 12 months highlighting the areas where internal audit resources would be focused. The programme must include both internal and external assessments and, as the last external assessment was undertaken in November 2017, a further assessment was due in 2022. It was proposed this be carried out in the latter quarter of 2022/23 in order to allow the internal audit function to fully recover from redeployment to the Council’s COVID-19 response.
- 52.3 Accordingly, it was
- RESOLVED** That the Internal Audit Quality Assurance and Improvement Programme be **NOTED**.

A&G.53 MONITORING OF SIGNIFICANT GOVERNANCE ISSUES

- 53.1 The report of the Corporate Director, circulated at Pages No. 136-141, set out the Significant Governance Issues identified in the Council’s Annual Governance Statement and the action taken to address them. Members were asked to consider the progress made against those actions.
- 53.2 Members were advised that three of the six actions had been completed and two had been started but the final action in relation to developing a new Local Code of Corporate Governance had been delayed due to resources being deployed to the COVID-19 response. In relation to the governance arrangements for Community Infrastructure Levy, it was noted that the three Joint Core Strategy authorities were in the process of reviewing and confirming formal arrangements but assurance was provided that there was governance already in place, just not joint governance.
- 53.3 Accordingly, it was
- RESOLVED** That progress against the Significant Governance Issues identified in the Council’s Annual Governance Statement be **NOTED**.

The meeting closed at 12:10 pm