

## Audit and Accounts Committee: Minutes

Date: 26<sup>th</sup> May 2023

Time: 2.00pm – 4.10pm

Place: New Shire Hall, Alconbury Weald

Present: Councillors C Boden, N Gay (Vice-Chair), M McGuire, G Seeff, A Sharp, A Whelan and G Wilson (Chair)

Officers: Dawn Cave, Mairead Claydon, Emma Duncan, Michael Hudson and Stephen Moir; Stephen Howarth, Tom Kelly, Julian Patmore, Daniel Sage, Sam Smith and Ben Stevenson (relevant agenda items only)

### 114. Notification of appointment of Chair and Vice Chair

The Committee noted that the Annual Council meeting held on 16th May agreed to appoint Councillor Wilson as the Chair and Councillor Gay as the Vice Chair for the Municipal Year 2023-24.

### 115. Apologies for Absence and Declarations of Interest

There were no apologies for absence.

The Chair extended a special welcome to Councillor Seeff, attending his first meeting.

There were no declarations of interest.

### 116. Petitions and Public Questions

There were no petitions or public questions.

### 117. Public Minutes of the Committee meeting held 9<sup>th</sup> February 2023

It was resolved unanimously to approve the public minutes of the Committee meeting held 9<sup>th</sup> February 2023.

### 118. Committee Action Log

The updated Action Log was noted.

At the February meeting, the Committee's Terms of Reference had been reviewed. The modified Terms of Reference had been agreed subsequently by the Constitution & Ethics Committee, and full Council.

With regard to BDO, officers aware that submission had gone to PSAA, and the outcome was expected by 09/06/23.

#### 119. Report on the authority's process, application and use of powers within the Regulation of Investigatory Powers Act (RIPA)

The Committee considered the annual update on the use of the Regulation of Investigatory Powers Act 2000 (RIPA). The report set out activities and changes to policies and procedures, as well as explaining when covert surveillance might be undertaken. It was noted that judicial approval had to be sought before using any of the RIPA powers. No RIPA powers had been used in the previous twelve months.

Given the recent organisational changes at the County Council, the Policy had been reviewed to ensure that the content was appropriate and relevant. The Policy had been updated to reflect changes to technology, including drones. Although the Council does not have or use drones, these were an option going forward. Additionally, the last Inspection had taken place in 2021, and it was important to keep the Policy up to date. Inspections focused on policy, training and procedures.

Arising from the report:

- noting that this service and policy was shared jointly with Peterborough City Council, an erroneous reference to Peterborough City Council was noted, which required amendment. Action required;
- it was confirmed that no covert surveillance, Covert Human Intelligence Sources (CHIS) or intercepting data communications had been used in the last twelve months. It was also clarified that data could not be intercepted, but subscriber details could be requested. It was confirmed that RIPA did not apply to communications from own staff, which may be reviewed;
- in response to a Member question, it was confirmed that not using RIPA powers was not unusual for local authorities. There were very clear conditions which RIPA powers could be used. The Service Director: Legal and Governance and the Chief Executive confirmed that use of the powers was becoming rarer.

The Chair commented that the examples and flowcharts in the report were particularly helpful.

It was resolved unanimously to continue to receive information on the use of RIPA and receives an updated policy annually based on the changes in the Code of Practice, processes or inspections.

## 120. Draft Annual Governance Statement 2022-23

The Head of Audit and Risk Management presented the draft Annual Governance Statement (AGS) for 2022-23. The final version of the AGS would ultimately be signed off by the Chief Executive and the Leader of the Council. The AGS was a statutory document, and that final version would eventually form part of the Annual Statement of Accounts.

The AGS summarised the extent to which the Council was complying with its Code of Corporate Governance, i.e. the processes and procedures in place to enable the Council to carry out its functions effectively, including details of any significant actions required to improve the governance arrangements in the year ahead. The Committee's views were sought as to whether the document was consistent with its perspective on the internal control of the Council, and on the definition of significant governance and control issues.

Members noted the following points:

- information regarding the Objections to External Audit and outstanding VFM opinions;
- key governance developments during the year, including the restructure of corporate services, Shared Services and restructuring, Safety Valve funding, and Waste Disposal;
- significant governance issues relating to the Guided Busway;
- the establishment of a new statutory officers group to direct work through the governance statement action plan.

Arising from the report:

- the Chair noted that the AGS stated that overall a "moderate" assurance was provided by Internal Audit. There was a discussion on the definition of "moderate" in this context, and it was noted that such an assurance was acceptable;
- a Member expressed concern regarding the statement that the Internal Audit team "...had only just sufficient resources to enable it to provide adequate coverage of the authority's control environment". She asked if there were sufficient resources going forward, specifically individuals with the right skills, qualifications and experience. Officers advised that resourcing was a priority and continued to be a challenge, and this was a national issue. Every member of the team had an appropriate accountancy or Institute of Internal Auditors qualifications, and apprentices were regularly engaged through the Graduate

Training Scheme. The resourcing challenges were regularly monitored by the Statutory Officers Group, and the measures being taken were outlined. The Chief Executive advised that Head of Audit & Risk Management had free access to all Statutory Officers, and he detailed options that were being explored to strengthen the team, including IT specialists and seconding individuals from external audit roles. Members were reminded that the External Review of Compliance with Public Sector Internal Audit Standards (PSIAS), presented to the November Committee meeting, had highlighted the effectiveness of the Internal Audit team;

- a Member raised the issue of projected outturn variances in the regular integrated finance monitoring reports. He commented that these variances should be anticipated and reported more quickly, so as to not delay possible remedial action, and asked if this proposal could be reviewed going forward. The Executive Director of Finance and Resources agreed to review this proposal as part of a wider review of financial reporting. The Head of Audit & Risk Management highlighted that the Audit Plan included time for financial monitoring and budget forecasting;
- noting that 62% of agreed audit actions due for implementation in 2022-23 had been completed, a Member observed that percentage seemed relatively low. It was confirmed that the subsequent agenda item gave the detail of audit actions overdue for implementation. It was acknowledged that the implementation of actions could be improved upon. Some actions were more complex and time intensive than others, and may require longer timescales, and officers explained how some actions had to be delayed due to larger system issues, and gave examples. However, those actions classed as Essential or High were followed up very rapidly if not implemented within the agreed timescales;
- another Member observed that delays may result from other organisations that the Council co-funded or contracted with. He asked if it was the responsibility of the procurement team to ensure that the relevant checks were made to those contracts at the assessment stage, or whether it was Internal Audit's responsibility to review that process? Officers advised that risk management policies and procedures were being updated, and an updated Risk Strategy would be brought to the next Committee meeting. The procurement and contract management toolkit set out specific approaches to contract management depending on the value of the contract. The remit of both Procurement and Internal Audit in relation to the monitoring of those contracts was outlined.

The Chair thanked officers for their hard work, which was reflected in the Annual Governance Statement and the 'moderate' assurance given. He was also reassured by senior officers' comments on resourcing the internal audit team, especially in relation to specialist areas.

It was resolved unanimously to consider if the draft Annual Governance Statement at Appendix A is consistent with its own perspective on internal control within the

Council and the definition of significant governance and control issues given in paragraph 2.3.

## 121. Internal Audit Annual Report 2022-23

The Committee considered the Annual Internal Audit Report, which formed part of the evidence supporting the Annual Governance Statement.

Members were reminded that the Public Sector Internal Audit Standards (PSIAS) required that an Annual Report was produced. Based on the work undertaken by the Internal Audit team during 2022-23, the Head of Audit & Risk Management had given a “moderate” assurance over the system of internal control in place. The report provided an overview of all work undertaken by the Internal Audit team in the period.

The following points were highlighted:

- under Key Financial Systems opinions, three opinions were still awaited from West Northamptonshire Council (WNC) internal audit team;
- there had been a slight reduction in the income processing compliance opinion, to “moderate”. This was because the scope of the review had been expanded, and the reduction related to that expansion of the audit rather than worsening of control;
- a Risk Management Annual Report would be considered by both Strategy & Resources and Audit & Accounts Committees in July.

Arising from the report:

- a Member observed that there had been significant procurement issues in the past, e.g. the gritting contract, and this was still an area of concern for the External Auditor. He sought reassurance that this was being addressed. Officers highlighted the work undertaken in relation to procurement, contracts and commissioning. This included audits of some large scale contracts, and also a procurement compliance review which sampled procurement at different level across the Council, resulting in a ‘moderate’ opinion. Following a risk assurance review of the contracts risk on the Corporate Risk Register, a number of actions had been identified and the majority been implemented, and this would be explored in further detail in the Risk Management Annual Report. This continued to be an area of focus by the Internal Audit team, especially high value procurement and contracts. It was also noted that the specific issues highlighted in the BDO VFM report had previously been identified by Internal Audit. However, the BDO report had focussed on a number of individual contracts, whereas the Internal Audit team was continuing to review these issues across the Council, especially how contracts were being managed to ensure VFM. There had been significant changes since BDO’s VFM opinion, which had related to related to the 2017-18 financial year, including changes to the procurement policies, procedures and standards. Whilst procurement was not perfect and continued to be an area of potential risk, officers were confident there had been significant improvements;

- with regard to the reported issues with payroll control accounts, a Member observed that it appeared that current work had been given priority, so no new problems were occurring. However, the historic items (pre-March 2022) appeared to be resolved very slowly, which was unsatisfactory. The Member also queried the teachers pensions control account, noting that there were “substantial” sums involved, but not specified. The Member also queried the statement in the report that *“Finance colleagues confirmed in May 2022 that this issue (backlog of historic items) had been considered by External Audit, and they were content that the unreconciled items did not represent a risk of material misstatement of the Council’s accounts”*, which seemed to be a very weak assurance, given materiality levels were around £20M. Officers advised that the full Payroll audit was not available yet, so the information in the report served as an indicator of the level of risk, given that the Cambridgeshire Internal Audit team were not involved in this audit. The confirmation that the findings were not material was intended to give the Committee some reassurance. Balances and numbers of items had reduced, and the audit report on payroll should be received from the WNC Internal Audit team shortly, in time for the next Committee meeting;
- a Member requested that in Annex B, the Summary of Outstanding Recommendations, the more serious items and most overdue items should be listed at the top of the report in future. The Chair suggested that it may be how the report was set out that was at fault, and officers agreed to check and resolve this issue for future reports. **Action required;**
- noting that a new Direct Payments Fraud and Misuse Policy had been drafted, a Member asked if this had been ratified and implemented? Officers advised that the new Policy had been formally proposed as a draft to the Service, and the Service had agreed to adopt and implement that Policy. There was an audit action to follow up on this in 2023-24;
- a Member observed that the customer feedback and survey responses were very positive, especially the strong support for the comment *“draft audit report gave findings in sufficient detail and there was a chance to discuss findings and recommended actions appropriately.”*;
- a Member asked if officers had any idea of the scale of the Council Tax fraud issue, and the impact on the Council’s finances. Officers advised that the business case had indicated that the likely impact would be hundreds of thousands of pounds, divided between the various partners, and they were happy to provide further information on this issue. **Action required.**

It was resolved unanimously to review and comment on the Annual Internal Audit Report.

## 122. Financial Reporting and Related Matters Update

Members considered a report setting out progress with the Statement of Accounts for the year ending 31<sup>st</sup> March 2022, and matters relating to the production of accounts for 2022-23, which was linked to the following item on the external audit report.

Members noted that the External Audits for Years preceding 2022-23, i.e. the audits for the years from 2018-22, had been reviewed by the External Auditor and the statement of actions issues, with no further actions proposed, and those objections had been dealt with by the auditor. The appeal period had elapsed and the Council understands that the objector has not appealed to the court.

In relation to the External Audit for 2022-23, the deadline in the national regulations was for the Council's accounts to be published by 31<sup>st</sup> May. Members were reminded that for the last few years this deadline had been extended to 31<sup>st</sup> July. The County Council would not meet that 31<sup>st</sup> May deadline, for the reasons set out in the report, and the Council had made strong representations in response to the government consultation on this issue, highlighting the capacity constraints, and in particular the lack of External Audit resources available nationally. The report outlined the measures that the Executive Director of Finance and Resources would be taking to ensure that the 2023/24 accounts were submitted by the 31<sup>st</sup> May 2024 deadline.

Officers briefly outlined the amendments proposed to the accounting policies used for the Statement of Accounts 2022/23, based on the annual update to the CIPFA Code of Practice for local authority accounting, and extraordinary changes to that Code. The main change related to how national infrastructure assets were dealt with.

Noting the extension of usable life from 40 to 50 years for Property, Plant & Equipment, a Member asked if as a result of this extension, whether depreciation was being undertaken retrospectively, i.e. recalculated on the basis of the original value, or on the basis of the current depreciated value. It was noted that this may be an example of where practice may have drifted from policy, but it was confirmed that the opening balance for depreciation would be restated. Noting that some infrastructure items had already been extended from 40 to 50 years, and that the rest would now be done, the Member asked if this would impact on the Council's accounts. Officers agreed to provide a detailed response on this issue, but reassured the Committee that there would be no net impact on the Income & Expenditure Account, but there would be a restatement on the Balance Sheet. Officers would be able to provide the Committee with the impact on the Balance Sheet in the coming weeks, as External Audit would be reviewing this information shortly. Action required.

It was clarified that the public inspection period would be in August/early September if the accounts were finalised by 31<sup>st</sup> July 2023. Whilst dependent on the volume of



information requested, no issues were anticipated with these timelines, as this had been the case in the last few years.

With regard to the consultation period, the Service Director: Legal and Governance highlighted that the 31<sup>st</sup> May deadline would not be met, and whilst the Council would publish the appropriate notice, there was a requirement that the consultation would be in the first three weeks of June, which would also not be met. The Council was therefore in breach of its statutory duties in this regard. This breach had been considered by both the Statutory Officers Group and the County Monitoring Officer Group, and it had been concluded that whilst this would be kept under review, it was not necessary to issue a Section 5 notice for this breach.

By way of background, it was clarified that the County Council's Statutory Officers Group had recently been established, and involved the Council's three key statutory officers, i.e. the Head of Paid Service, the Monitoring Officer and Section 151 Officer. This Group held formal meetings monthly, and those meetings were minuted. This Group was part of the Council's enhanced governance and was recognised as good practice. The Chair suggested that a footnote could be added to the Annual Governance Statement, outlining the establishment of the Statutory Officers Group, and its function.

It was resolved unanimously to:

1. note the report;
2. agree the recommended changes to the Council's accounting policies for the 2022-23 Statement of Accounts, highlighted in section 2.20.

## 123. Procurement and Commercial Annual Report

Members considered the Procurement and Commercial Annual Report.

The Committee noted the many actions that had been undertaken in response to the Value For Money conclusions for 2017-18 by the previous external auditor, BDO, which had been critical in relation to the Council's procurement arrangements. The weaknesses highlighted in that audit had been reiterated by the current auditor, EY. Members were reminded that in 2021 the County Council had exited the Local Government Shared Service (LGSS) arrangements, and an enhanced procurement team had been established within the Council, led by Clare Ellis. Officers paid tribute to Clare and her team for their achievements to date.

Given the backdrop of the critical BDO report, and owing to much procurement activity being deferred during the pandemic period, the Procurement team had been kept very busy. The report highlighted key areas of activity, how compliance was improving, the reduced number of waivers being issued and changes to

procurement legislation. It was noted that there would be further changes resulting from decoupling from the arrangements with Peterborough City Council.

A Member raised the issue of the use of procurement waivers. He hoped and expected that there would be a continued significant reduction in avoidable procurement waivers, including contract extensions. The Chief Executive advised that he robustly reviewed monthly high value waivers, and this process would be transferring to the new Executive Director of Finance and Resources. The last round he reviewed had resulted in a number of challenges going back to the Services concerned. Whilst there had been some positive behavioural changes, there was still scope for improvement and the required cultural change needed to be thoroughly embedded. The Member thanked the Chief Executive for going above and beyond what was expected on this matter, and agreed with his comments on behavioural change, which was often difficult to achieve.

A Member noted that only 52% of relevant officers (budget and contract managers) had undertaken the procurement training. He asked if those individuals who had put in late contract waivers had been targeted as a priority for this training. Officers confirmed that the BDO recommendation was that the training was mandatory. The requirement to complete this training was being escalated with individual service directors, and the Committee raising this issue was a further opportunity to reinforce the importance of this issue. Another Member noted that a Reserve meeting for the Highways & Transport Committee had recently gone ahead due to an urgent procurement item requiring a decision. The procurement issue had been the only substantive item on the agenda. The Chief Executive welcomed Members' helpful comments and observed that until behavioural change had been realised, there may be some additional work for Members, as in the example given. Ultimately, the intention was for the forward procurement and contract pipeline to be managed appropriately, and this was an issue for all managers across the Council.

The Chair noted the reference to the changes in the Procurement Act, but that these were not summarised in the report. It was confirmed that the Procurement Act had not been passed into legislation yet, but it would involve major changes, impacting on commissioning and contract management. It was agreed that there was a briefing on this for Members in Autumn. **Action Required (MH)**. It was also agreed that a short briefing on Procurement Act would be circulate to Committee. **Action required (ED)**. It was noted that the Head of Procurement and Commercial had recently given a presentation to the Corporate Leadership Team on the risks and issues arising from the new legislation, including the implications for shared services.

It was resolved unanimously to note the Procurement and Commercial Annual Report, attached at Appendix 1 to the report.

#### 124. Council's use of Consultancy and Agency staff

The Committee considered a report on the Council's use of consultants and agency workers and interims in Quarters 2, 3 and 4 (July 2022 through to March 2023).

Members noted that there had not been any significant increase in the use of consultants, interims or agency workers in this period. The electronic approval form had gone live in Quarter 3, which provided additional scrutiny to the process, ensuring that consultants were being used in the right way. Given there was a slight time lag between commissioners filling in the approval form and the Council eventually being invoiced, more information on the impact of this approval form should be available when the next update was considered by the Committee. Interim spend was mainly in Place and Sustainability, where this expenditure was being covered by grants and vacancies.

In response to a Member question, it was noted that Opus was a joint venture regional operation particularly focused on agency workers. Opus procured staff on behalf of the Council when additional resource was required.

A Member asked how consultants were appointed, i.e. whether consultants were appointed on a one-off basis and whether information on consultants was kept up to date, e.g. relating to qualifications and professional indemnity insurance. Officers advised that the Council goes through tender process to ensure Best Value was achieved, and often used Frameworks, as these were an effective method of procurement. Members noted how the different Frameworks and dynamic purchasing systems worked in practice, the areas covered, and how they were "called off". There were Frameworks in a number of disciplines, and the Council was also a Member of ESPO, a grouping of six Eastern Shires authorities, which also ran a number Frameworks.

A Member raised the issue of agency workers, specifically the issues within the Highways team. He explained that he been highlighting this issue for some time, and whilst acknowledging there were national issues with Highways recruitment, he felt strongly that some form of benchmarking was required to indicate how the Council could attract more Highways staff. Officers advised that there was existing benchmarking available through LGA in different specialisms where there were shortfalls. It was agreed that this would be picked up by the Service Director: Highways and Transport. **Action required.**

It was resolved unanimously to note the information in the report and the action being taken.

## 125. Audit and Accounts Committee Draft training plan

Members considered a proposed training programme to support Members' awareness and understanding in carrying out their functions.

It was noted that the Chartered Institute of Public Finance and Accountancy (CIPFA) had issued an updated position statement on local authority and Police Audit Committees, which recommended that Audit Committees review and assess themselves annually, or seek an external review. This review would also help inform a planned programme of regular training to address gaps and maintain standards. The proposed format subject matters and scheduling were noted.

It was confirmed that Members would be encouraged rather than required to attend training events.

It was resolved unanimously to:

1. note the report;
2. consider both the format and content of the draft training plan attached at Appendix 1, noting any changes in that or timings.

#### 126. Audit and Accounts Committee Agenda Plan

It was resolved unanimously to note the Agenda Plan.

#### 127. Exclusion of Press & Public

It was resolved unanimously to exclude the public and press from consideration of the following item on the grounds that the report contains exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, and that it would not be in the public interest for this information to be disclosed information relating to the financial or business affairs of any particular person (including the authority holding that information).

#### 128. Cyber Security Position Statement

Members considered a report on the cyber security position across the Council.

It was resolved unanimously to note the content of the report.