

## Audit and Accounts Committee Minutes

Date: 28<sup>th</sup> March 2024

Time: 2:00-3.30pm

Place: New Shire Hall, Alconbury Weald

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

Officers: Mairead Claydon (virtual), Emma Duncan (virtual), Michael Hudson; Sarah Brown (KPMG) (virtual); Tom Kelly and Ellie Tod (relevant agenda items only)

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

Apologies were received from Mohammed Hussain.

There were no declarations of interest.

### 162. Minutes of the Committee meeting held 6<sup>th</sup> February 2024 and Action Log

It was resolved unanimously to approve the public minutes of the Committee meeting held 6<sup>th</sup> February 2024.

In relation to the Action Log, there was a query on Item 140, which related to VAT reconciliations, specifically where there were other debtor balances related to an isolated historical issue (IT systems transfer). It had been agreed that there would be a section on this in future of report. The Action Log listed this action as complete, and stated that *“Sufficient progress with this area has been made to enable an audit opinion on the 2021-22 financial statements in the near future. We have ongoing attention to balance reconciliation is part of the continuous improvement of year-end procedures.”* The Member observed that this implied that whilst the external auditors were satisfied that there had been no material misstatement, the issue had not been resolved, and a report should be provided. Officers confirmed that progress had been made but agreed that the action needed to be reopened as the issue had not been resolved. Action required.

Action 159 (4) relating to essential and high-risk actions overdue for three months had been picked up in the Internal Audit Progress report, and would also be included in the Annual Governance Statement.

It was noted that an update for some of the outstanding actions had been emailed to Committee prior to the meeting.

The Action Log was noted.

### 163. Petitions and Public Questions

There were no petitions or public questions.

## 164. Financial Reporting and Related Matters

The Committee considered a report on a number of items relating to the Council's financial reporting across several financial years.

In relation to BDO's determination of objections for years 2016-17 and 2017-18, the appeal period had expired, and officers were in liaison with BDO on their proposed audit fees for those matters.

EY's opinion for the 2021-22 accounts was expected shortly. It was envisaged that following the national consultation, the government would announce that a disclaimer opinion could be issued for 2022-23 accounts. The Council had responded to the national consultations. For 2023-24 the draft accounts were due by the end of May and work was progressing well with KPMG.

Following the national consultation, it was confirmed that there was no further information on the "disclaimed accounts". As previously indicated, this would have a tail effect over the next few years, so this was still a complex and uncertain area.

Each year the Council published a set of accounting policies alongside the Statement of Accounts, reflecting changes in the relevant legislation and guidance. No recommendations for changes were being suggested for 2023-24.

New international reporting standards (IFRS 16 – Leases) would be implemented in 2024-25, but these would impact on the 2023-24 accounts, as disclosure was required on the estimated impact of the transition arrangements. A targeted piece of work on this complex area would be undertaken, which would cover a large set of data across the Council.

Noting the work being undertaken on IFRS 16, a Member asked if there was any feel for the level of significance in terms of items that would be deemed capital rather than revenue, as this would impact on the Council's Capital Financing requirement. Officers agreed to provide a supplementary briefing note to Committee on this issue. **Action required.** In response to a Member question, it was confirmed that a re-evaluation exercise would be required for PFI schemes, but it would not fundamentally change the accounting processes. It was also confirmed that assets would need to be assessed against IFRS 16 every year. The Finance team would be working with the Property team to update Concerto (the Council's asset management software), and enquiries were underway as to whether this system could be used for lease accounting purposes.

In response to a Member question, it was confirmed that only accumulated gains directly related to revaluation or impairment loss for a specific asset would be considered, and this would be made clear in future reports.

The External Auditor from KPMG confirmed that they were happy with the progress being made with the 2023-24 accounts, and the accounting policies being used. They had recently met with EY colleagues to work through mutual expectations and the latest statement. Their understanding was that the 2022-23 accounts would be disclaimed, and this was likely to be at some point between June and September. They were keen to progress with the substantive work and not wait for the disclaimer, and would continue to report back to this Committee. In terms of work around risk assessment and planning, this was progressing well.

In terms of accounting policies, the External Auditor was satisfied that the report covered the requisite information. They would be reviewing the prior year files provided by EY, and conducting a more thorough review of the accounting policies to ensure these complied with KPMG's standards. It was noted that the accounting policies were very standardised across local authorities.

It was resolved unanimously to:

- i) note the report; and
- ii) agree to the Council's Accounting Policies for the 2023-24 Statement of Accounts, attached in Appendix A.

## 165. Draft Internal Audit Plan 2024-25

The Committee received a report which set out the draft Internal Audit Plan for 2024-25.

Whilst a flexible Internal Audit Plan was in operation, a major restatement was undertaken each year. Tables 1 and 2 in the Plan provided an analysis on different areas of risk, and definitions were provided on each audit area, along with information on how these link in with the Corporate Risk Register. The Plan proposed would provide more coverage of risk in governance, project management and safeguarding, and less time would be spent on procurement, commissioning, and ICT and information governance, reflecting the significant work already undertaken in those areas.

A Member asked if time was allocated to revisit previous Internal Audits, where further work had been identified. Officers confirmed that this was the case, and there was a follow up process where medium or higher risk actions had been agreed, and the Internal Audit team would check that actions had been completed. Audits were also included in the Plan where it was recognised that a service required review e.g. new project management arrangements for revenue and capital, where there would be a follow up on implementation, and samples selected to test that processes were in place.

A Member noted that one part of the Plan referred to 112 days being allocated to Procurement & Commissioning, but elsewhere in the document it was stated that 160 days were allocated for this area. Officers set out that the Procurement & Commissioning reviews were split across the 'core' and 'flexible' areas of the plan, but that 160 days in total was allocated to provide assurance on procurement and commissioning.

Noting that a total of 1750 productive audit days was identified in the Plan, a Member asked if this was achievable without external resource, which had been used in the current financial year. Officers confirmed that they were reasonably confident, given a number of recent key appointments within the team, but noted that further recruitment was due to take place in early 2024/5. However, the co-source partner contract was still in place, and could be used if required to supplement in-house resource.

Responding to concerns from the Strategy, Resources and Performance (S,R&P) Committee on Cyber Crime, officers advised they had completed a review of IT security in the current financial year, and an audit of IT and Digital Strategy and Service Planning was scheduled for the third quarter of 2024-25, which would be focusing on the decoupling of the ICT Service from Peterborough City Council, reviewing areas such as data security, disaster recovery and customer services. A Member observed that only 20 days was made available for that audit, and asked if that was sufficient given all the risks the Council faced? Officers commented that 20 days was a reasonable starting point for an audit of this nature, acknowledging that there was always the possibility that further work could be identified during the course of the audit. It was also confirmed that Quarter 3 was not too late in the programme, given the significant audit reviews previously completed in this area, which had been supported by specially commissioned external technical specialists. It was noted that the Cyber Security briefings requested by S,R&P Committee would be extended to this Committee and the Head of Internal Audit and Risk Management.

It was noted that because the Internal Audit Plan was an ongoing piece of work, there was no requirement for it to be approved by this or any other Committee. Moreover, the Audit and Accounts Committee was welcome to input but not direct the content of the Plan.

It was resolved to:

review and comment on the proposed draft Internal Audit Plan 2024/25.

## 166. Annual Whistleblowing Report

Members received an annual report on the implementation of the Council's Whistleblowing Policy.

The annual staff survey on Whistleblowing had demonstrated good awareness and confidence in the Whistleblowing process. The report also provided an update on the Whistleblowing awareness campaign, as well as an overview and breakdown of the number, nature and outcome of whistleblowing cases. It was noted that there had been an increase in the number of cases reported.

The Committee noted the outcomes of Protect's Whistleblowing benchmark self-assessment exercise. Whilst the Council's overall results were comparable with similar organisations, areas for improvement were highlighted, and an action plan developed. A revised Whistleblowing Policy would be considered at the July Committee meeting.

Arising from the report:

- one Member commented that it would be good to see number of whistleblowing cases and causes reducing. Another Member disagreed, suggesting that the increased number of cases reported was a positive thing, and the fact that there were few cases where no action was required demonstrated the value of Whistleblowing;
- a Member commented that he was impressed by the level of reassurance provided, and by the awareness and confidence of staff in whistleblowing procedures. He suggested that the Committee report should be made available

to staff, as it would give even greater confidence that the Council's Whistleblowing processes worked. Officers drew the Committee's attention to the third point in the action plan, which committed to delivering a Whistleblowing e-learning module, and designating this as essential learning for all staff. The intention was to include outcomes from Whistleblowing referrals, outlining the type of allegations received, and reassuring staff that their concerns would be treated seriously and professionally if they raised a concern. Even if ultimately concerns were unfounded, Whistleblowing referrals could highlight important transparency/perception issues that needed addressing;

- a Member commented that the reality of Whistleblowing was for many individuals a scary experience, and potentially career limiting;
- a Member asked whether the benchmarking exercise be revisited to see if matters had improved, when all actions were completed? Officers confirmed this would be the intention when the Action Plan was complete.

It was resolved unanimously to note the report.

## 167. Corporate Risk Register

The Committee considered an updated Corporate Risk Register.

Attention was drawn to Table 1 in the report, which detailed an overview of corporate risks, showing the static direction of travel since October 2023 for all residual risks. Strategy, Resources & Performance Committee had indicated they would like a briefing on Cyber Crime, and Audit and Accounts Committee members were welcome to join that briefing.

The Corporate Leadership Team (CLT) Risk Assurance Group had recently met to review the way Directorate Risk Registers were reported to Committee, and proposed changes were set out in the report. The report also included an update on the implementation of the Risk Strategy.

The Chair reminded Members that the Committee had important functions in relation to risk, including considering the effectiveness of the risk management arrangements and associated control environment, and to seek assurances that appropriate action is being taken in response to risk. The Committee confirmed that they were assured that this was the case.

It was resolved unanimously to note the Corporate Risk Register.

## 168. Update on Audit & Accounts Committee Review of Effectiveness Action Plan

Members considered an update on the implementation of the Action Plan agreed in response to the Audit & Accounts Committee review of effectiveness undertaken in September 2023.

The Committee noted the actions already completed, and the timeline for completion of the outstanding actions. In response to a Member question, it was confirmed that it was not possible to identify how many Committee Members had reviewed reports on the Microsoft Teams site.

It was noted that for the feedback exercise on performance by key stakeholders, only one response had been received. The Chair commented that it was important to understand the views of various political Group Leaders. The Service Director for Legal and Governance agreed to follow this up and ensure that this issue was considered at both the Corporate Officers' Group and Group Leaders' meeting. Action required.

It was confirmed that the meeting between the Committee and both the External Auditors and Head of Internal Audit and Risk Management had been postponed until 30<sup>th</sup> May 2024.

It was resolved unanimously to:

consider the update on the implementation of the Action Plan.

*(Cllr Sharp left the meeting)*

## 169. Internal Audit Progress Report

The Committee received a progress report on Internal Audit, for the period to 29<sup>th</sup> February 2024.

Presenting the report, officers highlighted the following areas:

- there were 80 outstanding audit actions overdue as at 28/02/24, representing a slight reduction from 85 outstanding actions in the previous Internal Audit Progress Report. There were no outstanding 'essential' actions. A number of actions were highlighted where there was a single common blocker e.g. five were awaiting first meeting of Information Management Board;
- the report now included revisions to target implementation dates over time, as requested by the Committee, in Appendix B. There were 12 actions which had been outstanding for over a year;
- the Internal Audit team had conducted its annual self-assessment of compliance against Public Sector Internal Audit Standards (PSIAS). The review had concluded that the team was compliant with PSIAS, however areas for further improvement have been identified and those actions would be incorporated into the team's Quality Assurance & Improvement Plan for 2024-25;
- new Global Internal Audit Standards had been released in January, and guidance was awaited from the relevant bodies on their impact on public sector standards;
- West Northamptonshire Council (WNC) had indicated that they would not be able to complete the Debt Recovery audit due to a lack of resources. Cambridgeshire's Internal Audit team had offered undertake this audit in April. The Chair was pleased to note that the team were able to pick up this audit but was disappointed that WNC were unable to deliver.

Whilst pleased to note that there were no Essential recommendations outstanding, a Member noted that a number of target dates had been repeatedly revised e.g. government procurement cards for schools. He expressed concern that the target dates being set were unrealistic. The Executive Director of Finance and Resources agreed and advised that the issue of setting unachievable target dates was being addressed, and it was being made clear to officers that they were accountable to the Committee for completing actions by those dates. He highlighted that most of the dates in the report had been agreed twelve months ago, and the culture was now changing.

A Member raised concerns about the Section 106 process, specifically uncollected Section 106 money, which could be quite significant, and was at risk of being returned to developers if unutilised. He suggested that this area required a deep dive. It was noted that work had been commissioned jointly by the Executive Director of Finance and Resources and the Executive Director of Place and Sustainability. Additionally, a Member briefing was being arranged at this complex area, which involved multiples services in addition to the District authorities. This also needed to be reported to the Strategy, Resources and Performance Committee in the Integrated Finance and Monitoring report. Action required.

It was resolved unanimously to:

consider and comment on the contents of the report.

## 170. Committee Agenda Plan

It was resolved to note the Agenda Plan, with the following addition:

- Whistleblowing Policy (July 2024)

Chair