

AUDIT COMMITTEE

Minutes of the meeting held on 9 July 2024 commencing at 7.00 pm

Present: Cllr. Penny Cole (Chairman)

Cllrs. Chughtai, Haslam, Lindop, Robinson and Skinner

Apologies for absence were received from Cllrs. Baker, Malone and Williamson

Mo Chughtai (Co-opted non-voting Member) was also present.

1. Minutes

Resolved: That the Minutes of the Audit Committee held on 16 April 2024, be approved and signed by the Chairman as a correct record.

2. Declarations of Interest

There were none.

3. Actions from Previous Meeting

There were none.

4. Responses of the Council, Cabinet or Council Committees to the Committee's reports or recommendations

There were none.

5. Audit Committee Member Development

The Counter Fraud and Compliance Manager gave a presentation on the Changing Face of External Fraud in Local Government.

Members took the opportunity to ask questions of clarification.

Resolved: That

- a) the training be noted; and
- b) External Audit be the topic of the next Member Development.

6. Counter Fraud and Compliance Team Report

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The Counter Fraud Manager presented the report which set out the work conducted by the Counter Fraud & Compliance Team for the year ending 31 March 2024, and a summary of future plans for 2024/25.

Members asked questions of clarification and were advised that on occasions it was necessary for the Council to work with the Department for Work and Pensions in regards to investigating fraudulent claims. Members requested an additional briefing note on this work.

Action: For the Counter Fraud Manager to provide a briefing note of the Council's involvement with the Department for Work and Pensions for Fraud investigations.

Members thanked the Fraud Team for their work.

Resolved: That the report be noted.

7. Member Allowance Scheme Monitoring

Members considered the report presented by the Monitoring Officer, which outlined Members' allowances claimed during the 2023/24 year. The year covered both outgoing and incoming Members, as such there were more payments made than there were seats on the Council.

Resolved: That the report be noted.

8. External Audit - Annual Audit Plan 2023/24

The Chairman introduced the Engagement Lead for the Council's external auditors, who presented the report which set out their Annual Audit Plan for 2023/24, and the external auditors' sector update. He explained the council's historic audit position. There were three years (2021/22, 22/23, and 23/24) of accounts that were open for audits. The 2023-24 financial year would be the first of these to be audited. A number of local authorities had outstanding audit years, and a backstop would be introduced to set a date after which qualified or disclaimed opinions would be given on all older audits, regardless of how far the audit had progressed. It was anticipated, with the change in central government, that legislation for this would be introduced around January 2025. The external auditors thus planned to complete the 2023/24 audit, and examine the opening balances for the remaining years to ensure the Council were in order for the future.

He set out the Audit Plan for 2023/24 in detail. The audit would include the risks in valuation of land and buildings, and pension fund liability from Kent County Council. They would further consider the risk of fraud in Housing Benefit expenditure. The materiality calculations would be re-examined following the publication of the 2023/24 financial statements. Work on the risk assessment for value-for-money (VFM) for 2022/23 had nearly been completed, and would be fed into the assessment for 2023/24. The auditors aimed to start the audit of the 2022/23 accounts in October, with a target completion date of December 2024.

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The audit opinion would be contingent on the confirmation of the backstop and any work on opening balances that would need to be completed as a result of this.

He explained that the increase in the audit fee for 2023/24 stemmed from the new PSAA tender, which rebased all audit fees across all local authorities due to growing demand, increasing complexity, and regulator demands. The fee for the audits of 2021/22 and 2022/23 could not be finalised until the work required for them had been confirmed.

In response to questions, he explained that the significant risks were consistent with previous years and other authorities, with the exception of the Housing Benefit expenditure. This was not a serious concern, and the work would be similar to prior audits. Housing Benefit expenditure had been included due to it being several times larger than the materiality threshold, in-line with public sector audit guidance. As part of their risk assessment, the external auditors had examined the work of all stakeholders, including internal audit.

The Engagement Lead clarified that procurement would be examined under the VFM risk assessment, and would encompass both the risk for 2023/24, and how this would progress in future years. Significant transactions would also be included in the VFM assessment. A specialist VFM team would assist in the audit should the risk assessment highlight significant weakness in a certain area. The external auditors would reconcile the fixed asset register with the ledger, to ensure any material issues were detected. The audit of management override of controls would involve examination of key judgements and estimates and journals to locate areas that were at high risk of fraud.

Members discussed the report and individual members raised concerns about the efficiency of IT spending across the council and the budget overspend on waste and recycling.

Resolved: that the report be noted.

9. Statement of Accounts 2023/24 - Establishment of Member Working Group

The Head of Finance presented the report which proposed the setting up of a Member Working Group to look at the draft Statement of Accounts, with authority to recommend changes whilst ensuring that they still adhere to the statutory regulations and report back to the Audit Committee.

Resolved: That

- a) a Member Working Group, be set up to review the 2023/24 draft Statement of Accounts with delegated authority to recommend changes to the draft whilst ensuring adherence to statutory regulations for the purposes of reporting back to the Audit Committee.
- b) The membership of the working group by Cllrs. Penny Cole, Malone, Robinson and the Independent Person.

10. Annual Governance Statement 2023/24

Members considered the report presented by The Chief Officer for Finance and Trading which set out that the Statement was an important corporate document which explained the Council's governance arrangements and the controls it employed to manage the risk or failure to achieve strategic objectives. The Council was responsible for ensuring that its business was conducted in accordance with the law, using proper standards and that public money was safeguarded and properly accounted for during 2023/24.

The document was owned by all Senior Officers and Members of the Council, and had been approved by the Strategic Management Team following the completion of a detailed questionnaire to raise any issues that could be included in the Annual Governance Statement. The process had highlighted potential gaps in relation to assurance mapping and also the identification, assessment and response to fraud risk.

The Annual Governance Statement confirmed that the Council had sound systems of internal control and good governance arrangements in place in 2023/24.

Resolved: That that Annual Governance Statement be signed by the Leader of the Council.

11. Internal Audit Annual Report and Opinion 2023/24

The Audit Manager presented the report which detailed her opinion on the operation of the Council's governance, risk management and control frameworks. During 2023/24 free access to officer and records were given to complete their work and there had been no attempt by officers or Members to seek undue influence over the work during the year.

The opinion took into account all the work that had been completed by the Audit Team in the past year. Members were reminded that recruitment to the vacant post had been difficult and resulted in being unable to complete as much work that had been anticipated. The Audit Manager was pleased to advise though, that more work had been completed than the previous year and this was a positive for the Team.

The Committee was advised that it was her opinion that there was reasonable assurance that the Council's governance, control and risk management frameworks were operating effectively. This recognised that most of the assurance work had returned positive assurance ratings with receiving three substantial assurance and a further six receiving reasonable but there were some improvements that needed to be made. There were five engagements still underway and they were nearing completion. The work on follow-ups indicated that Officers were implementing agreed actions to address control gaps and weaknesses as expected and she had no concerns to report to the Committee.

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Members were advised that the executive summaries of all the audits completed in the year and were provided at annex A and the supplementary agenda provided the full report for the Sencio Audit.

Members were advised that there was still a vacancy for the Lead Auditor post, as recruitment to it had been unsuccessful.

Thanks was given for the work undertaken on procurement noted and its correlation to contract management.

Members considered the internal audit report noting the limited assurances and reasonable assurances listed, and raised some concerns. In response to the concerns raised that as part of the report findings, actions were agreed with Managers to address any control gaps and weaknesses. Once the implementation date was reached then a further visit would take place to see what work had been done and to ensure the actions had been implemented, which was reflected in the follow up figures. She further advised that the progress of the follow ups were reported for the procurement Audit as requested by the Audit Committee, and further updates on follow ups would continue to come to committee meetings. Members were assured that if it was believed that an unacceptable level of risk was not being addressed then it must be raised with the committee as part of the Audit Standards. The actions that were agreed as part of the control gaps and weaknesses and part of the high priority findings had implementation dates with assigned owners that were followed up by the Audit Team. The Chairman advised that it was within the gift of the Audit Committee that progress reports in regards to the actions being completed could be brought to the Committee, with a particular focus on procurement and contract management.

Members considered the Audit Report on Sencio, where some members expressed concerns that there was a lack of information provided in the report and additional lessons learned could have been detailed within the report. There was also concern that limited financial documentation was provided by Sencio to the Council. Members were advised that Sencio were a separate organisation and the Board did not share detailed information with the Trustees of the Board.

Members discussed the resolution agreed by Council previously, and advised that the Liquidator's report had been provided to Members and it was the Liquidators who had access to Sencio's accounts, and so the Council could not answer the two questions posed by Full Council, as the information was not within the Council's gift. The liquidator's report was on Sencio specifically rather than any form of partnership working, however there were previous reports where Sencio had attended the Scrutiny Committee for regular questioning. It was noted that the Council and residents had had a significant loss, but it was important to note what had happened and what could be learned for the future. It was expressed by a Member that information sharing with partners was important and how this would be managed with external providers for clear reporting lines.

The Chairman reminded Members that a session had taken place regarding any new leisure contracts which provided Members with the opportunity to give members the ability to input and improve on the contract management of future leisure

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providers. The Chairman used her discretion to allow a visiting Member to address the Committee. He advised that lessons learned were being demonstrated through the current leisure contracts and any future contract, and the Council had taken the difficulties it faced very seriously. A much stronger contractual relationship going forward was clear to see being implemented as well as continued monitoring by officers and Committees.

It was questioned whether a report on what happened and why it happened would assure residents that learning had been undertaken and the detail behind why Sencio went out of business was outside of the council's remit and so definitive answers could not be provided.

Resolved: That the report be noted.

12. Independent Member Recruitment Update

The Chief Officer for Finance & Trading presented the report which updated Members on the progress of the Independent Member recruitment following Lynda McMullan stepping down at the end of her Term in May 2024. The position had been advertised in the summer edition of 'InShape', and on the Council's website with a closing date of 11 August. The interview process would be similar to the last recruitment process with the interview panel consisting of the Audit Chairman, the Chief Officer for Finance & Trading and an Audit Committee Member from an opposition party. It was hoped that a new person would be in post by the next Audit Committee.

Resolved: That Cllr. Robinson be appointed to the interview panel together with the Audit Committee Chairman and Chief Officer - Finance and Trading for the Independent Member position.

13. Review of the Effectiveness of the Audit Committee 23/24

Members considered the report which assessed the achievements of the Audit Committee in 2023/24. The process incorporated the recommended self-assessment checklist from CIPFA. The Chief Officer for Finance & Trading advised that the checklist as set out in Appendix A had been completed drawing from the work of the Committee in relation to its terms of reference, using the evidence available from the work of the Committee during 2023/24. A questionnaire was sent to all Members of the Audit Committee during 2023/24. Five responses were received and could be found in Appendix B.

Members considered the report and self-assessment review.

Resolved: That the Self-Assessment Review of the Effectiveness of the Audit Committee for 2023/24, be approved.

14. Work Plan

The work plan was noted.

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THE MEETING WAS CONCLUDED AT 21:05

CHAIRMAN