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AUDIT AND GOVERNANCE COMMITTEE

28 September 2023 at 6.00 pm

Present: Councillors Dr Walsh (Chair), O'Neill (Vice-Chair), P. Bower, Haywood, Oppler, Purser, Turner, Wallsgrove and Tandy (Substitute for May)

Councillors Needs was also in attendance for all or part of the meeting.

266. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Jones, May and Goodheart.

267. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

268. MINUTES

The Minutes of the meeting held on 25 July 2023 were approved by the Committee. These would be signed after the meeting.

269. ITEMS ON THE AGENDA THAT THE CHAIRMAN OF THE MEETING IS OF THE OPINION SHOULD BE CONSIDERED AS A MATTER OF URGENCY BY REASON OF SPECIAL CIRCUMSTANCE

There were no urgent matters for this meeting.

270. PUBLIC QUESTION TIME

No public questions had been submitted for this meeting.

271. INTERNAL AUDIT PROGRESS REPORT SEPTEMBER 2023

The Chair welcomed Iona Bond, Senior Audit and Counter Fraud Manager, from Southern Internal Audit Partnership (SIAP), who then presented the report to the Committee. The report outlined the progress of the Council's Internal Audit service against the approved Internal Audit Plan for 2022/23 from 1 April 2023. Progress so far had been very positive, and the Senior Audit and Counter Fraud Manager thanked the

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Officers for their help. She went through each section of the report and highlighted that page 18 showed 17% of the work had been completed, and 25% was in progress; Section 4 contained the analysis of 'Live' audit reviews, which showed managers and Officers had been completing all agreed management actions from the 2022-23 audit report, and from this there were only 7 management actions overdue. Due to the number of actions, this was a pleasing level of overdue actions; A verbal update was provided regarding the Environment Health and Protection Food Safety Audit on page 21, which was due to begin very shortly. This meant all work from quarters 1 and 2 had commenced; Economic Regeneration had been removed as shown in Section 8. This had originally been included due to the Council's ongoing projects, however due to the current stages of these projects it was now felt unnecessary to include for 2023-24. This would be reviewed in 2024-25; Annexes 1 and 2 showed the overdue Management Actions. The Senior Audit and Counter Fraud Manager was satisfied with the reasons for these being overdue.

Members then took part in a question and answer session where the following points were raised:

- Was the priority rating for overdue management actions decided internally or externally by SIAP? There was particular interest in the 'Use of Agency Workers' being given a medium rating. The Senior Audit and Counter Fraud Manager explained management assigned the ratings, however this was reviewed by SIAP, who would engage in conversations with Officers if they were not in agreement. The Group Head of Finance and Section 151 Officer explained to Members that all audits that had limited assurances on them were monitored directly by the Corporate Management Team.
- It was asked what data protection training would be rolled out to Councillors. The Group Head of Finance and Section 151 Officer explained this would come under the remit of the Monitoring Officer and an answer would be circulated to Members after the meeting.

The report was noted.

272. RESPONSE TO ERNST & YOUNG ON THE ANNUAL ASSURANCE LETTER REGARDING GOVERNANCE ARRANGEMENTS

Upon the invitation of the Chair, the Internal Audit Manager introduced the report. He explained that each year the Chair of the Audit & Governance Committee was requested to provide a response to Ernst & Young (the Council's external auditors) in respect of the oversight of management's processes for identifying and reporting the risk of fraud, and possible breaches of internal control within the Council.

There were no questions from Members.

The report was noted.

273. TREASURY MANAGEMENT – QUARTER 1 REPORT 2023/24

Upon the invitation of the Chair, the Senior Accountant (Treasury) introduced the report to Committee. She explained that the Treasury Management Codes revised in 2021 recommended that Members were updated on treasury management activities quarterly, so this was an additional report. She highlighted page 42, which showed the list of investments on 30 June 2023, at £48 million; page 43, paragraph 2.4 showed a summary and comparison of the investments at 31 March 2023 and 30 June 2023. There was an average level of funds for the first quarter of £43 million, highlighted in 2.8; Page 44, paragraph 2 showed the average rate of return on investments in June of 4.27% against a budgeted return of 3.20%, which had increased further to around 4.5% in August. This was largely due to the interest rate increase; Paragraph 2.11 showed the estimated outturn was currently around £1.9m, showing an over achievement of around £400k; Paragraph 2.13 showed the property and diversified fund valuations, which were still below the principle invested. Due to the IRFS 9 (an unrealised fair value movement), and the override in place, this would not effect the Council's revenue budget for 2023-24. This override was currently in place until 31 March 2025. For Arun these were both considered to be long-term investments and it was acknowledged the value would rise and fall; Page 49 showed an economic update from the Link Group, the treasury advisors. A revised forecast would be received from them sometime the following week.

Members then took part in a question and answer session where the following points were raised:

- Whilst investments were doing better, the rate of inflation was rising, did this mean the funding gap was increasing? The Group Head of Finance and Section 151 Officer explained that this was the case.
- Page 42 showed £8million investments had matured, and this money been reinvested and if so who with? The Senior Accountant (Treasury) explained most of the money had been reinvested and she would circulate an updated investment list to Members after the meeting.
- It was asked whether consideration could be given to investing in Unity Trust Bank. The Group Head of Finance and Section 151 Officer would look into this.

The Group Head of Finance and Section 151 Officer thanked the Senior Accountant (Treasury) for the clear and concise report she had written. He highlighted that Members should be aware of the IFRS 9, for which local authorities currently had an exemption from the accounting standard. If this exemption was removed, local authorities would have to reflect the capital value in accounts, and at present as this was less than the amount paid in, it would have a negative effect on the budget, and would have implications for Council Tax. This would continue to be reported by Officers, but was something he asked Members to take note of.

The recommendations were proposed by Councillor Wallsgrove and seconded by Councillor Tandy.

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The Committee

RECOMMEND TO FULL COUNCIL that

1. the quarter 1 treasury management report for 2023/24 be noted;
2. they note the treasury activity for the quarter ended 30 June 2023, which has generated interest receipts of £460,918 (4.27%). Budget £1,540,000 (3.20%); and
3. the quarter 1 actual prudential and treasury indicators for 2023/24 contained in the report be noted.

274. CORPORATE RISK REGISTER UPDATE

Upon the invitation of the Chair, the Group Head of Finance and Section 151 Officer introduced the report. He explained he was presenting the report on behalf of the Finance and Risk Manager. The Corporate Risk Register had been reviewed and updated in line with the requirements of the Council's Risk Management Framework. Quarterly updates reflecting revisions were reported to the Audit and Governance Committee, and this report highlighted the changes since the last update. The main changes were in paragraph 4.9, where the Development Plan risk had been changed from a high to a medium; paragraph 4.12 showed a new risk had been added, which was CRR18 - Housing Benefit Subsidy 2023/24. The Department for Work & Pensions (DWP) required that housing benefit subsidy claims be audited. At the end of 2023/24 the contract with Ernst & Young would run out, and the DWP wanted assurances that there would be an external auditor in place. The ultimate sanction would be that no housing benefit subsidy would be paid by DWP, which was in the millions of pounds. It was stressed this was not likely. A procurement process was currently being undertaken to obtain a new contract, and whilst the risk needed to be documented, this was receding as the procurement process progressed.

Members then took part in a question and answer session where the following points were raised:

- How long would the new auditor contract be for? The Group Head of Finance and Section 151 Officer would look into this and circulate a response to Members after the meeting.
- One Member explained that page 63 (Climate Change) showed 'additional funding (£100k) had been provided for the 23-24 financial year and an officer report was being drafted to take to Policy and Finance Committee in October 2023 to showcase what this would be used for'. She updated that this had now been delayed.
- Page 62 for Climate Change risk area showed 'Lack of financial support through relevant and applicable Government funding/grants'. Were there any funds/grants expected? The Group Head of Finance and Section 151

Officer explained daily bulletins were received from central Government regarding funding opportunities, and that Officers would look for funding when resources allowed.

Having considered the revised Corporate Risk Register, the report was noted.

275. UPDATED RISK MANAGEMENT FRAMEWORK

Upon the invitation of the Chair, the Group Head of Finance and Section 151 Officer introduced the report. The Council's Risk Management Framework had been reviewed and updated to take account of changing legislation, government initiatives, best practice and experience gained within the Council. This report highlighted any amendments resulting from the review. The reason for the changes were set out in paragraph 4.3, and the changes were highlighted in appendices 1 and 4, most of which were around the downscaling of the frequency of review of the risks. He emphasised this did not mean the risks were not managed, and the frequency with which they were being managed on an operational level was still very high.

There were no questions from Members. Members praised Officers for the thorough reports presented throughout the meeting.

Having considered the updated Risk Management Framework, the report was noted.

276. WORK PROGRAMME

The Committee noted the Work Programme.

(The meeting concluded at 6.38 pm)

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