

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 24 JULY 2023 - 4.00 PM



PRESENT: Councillor K French (Chairman), Councillor S Harris (Vice-Chairman), Councillor G Christy and Councillor S Tierney

APOLOGIES: Councillor G Booth

OFFICERS IN ATTENDANCE: Amy Brown (Assistant Director), Peter Catchpole (Corporate Director and Chief Finance Officer), Mark Saunders (Chief Accountant), David Thacker (Interim Internal Audit Manager), Linda Albon (Member Services & Governance Officer) and Helen Moore (Member Services and Governance Officer)

ARMC1/23 TO APPOINT A CHAIRMAN FOR THE MUNICIPAL YEAR.

It was proposed by Councillor Harris, seconded by Councillor Tierney and resolved that Councillor Kim French be elected Chairman of the Audit and Risk Management Committee for the municipal year 2023/24.

ARMC2/23 TO APPOINT A VICE CHAIRMAN FOR THE MUNICIPAL YEAR.

It was proposed by Councillor French, seconded by Councillor Christy and resolved that Councillor Harris be elected Vice Chairman of the Audit and Risk Management Committee for the municipal year 2023/24.

ARMC3/23 PREVIOUS MINUTES.

The minutes of the previous meeting held 20 March 2023 were approved and signed.

ARMC4/23 INTERNAL AUDIT OUTTURN AND QUALITY ASSURANCE REVIEW 2022/23

Members considered the Internal Audit Outturn and Quality Assurance Review 2022/2023 report presented by David Thacker, Interim Internal Audit Manager.

David Thacker explained that the overall audit opinion is one of adequate although there is a reduction in the number of audits that were able to be achieved during the year due to resource constraints. He made the point that there was a broad coverage compared to the plan.

Members asked questions, made comments and received responses as follows:

- Councillor Christy asked whether the recruitment of the role for a permanent Internal Audit Manager is taking place as currently the post is being filled on an interim basis? Peter Catchpole confirmed that an advert is currently running with a closing date for the end of July for applications to be submitted.
- Councillor Christy referred to 7.4 of the report which detailed the external quality assessment and asked for further information concerning that aspect of the report. David Thacker explained that it is his understanding that from an external point of view the auditors were happy with the processes and policies of the Internal Audit Team and, therefore, they awarded the highest rating that they could which, in his opinion, is a positive

outcome for the Internal Audit team. He added that there are challenges that do need to be addressed and stated that he would like to see an element of change in future reports which will be more focussed, making the point that he was very happy with the External Quality Assessment outcome.

- Councillor Christy stated that given the staffing challenges it would appear that a great deal of work has been achieved and for that the team should be congratulated.
- Peter Catchpole explained that it is a legal requirement that every three years an external assessment is undertaken, and, in his opinion, he is extremely happy with the opinion achieved as it is the highest rating which can be awarded. He added that the assessors had noted that there was an excess of audits carried out for such a small District Council and, therefore, looking forward consideration will be given to undertaking less internal audits but more work with regards to the risk assessment which was one of the recommendations that had been suggested. Peter Catchpole explained that even through the full audit plan was not delivered last year he was extremely pleased to see the audit opinion of adequate for the 2022/23 financial year.

Members noted the

- **outturn for Internal Audit for 2022/23, which highlights the audits that were completed as per the agreed Internal Audit Plan and their associated assurance ratings and also the additional assurances gained from other sources of work completed in house and externally to support the Annual Audit Opinion;**
- **Interim Internal Audit Manager's opinion on the 'adequacy' of GRC processes; and**
- **positive outcome of the independent quality assurance review.**

ARMC5/23 ANNUAL REPORT 2022/23

Members considered the Audit and Risk Management Annual Report 2022/23 presented by David Thacker, the Interim Internal Audit Manager.

David Thacker explained that the annual report considered the commitment and effectiveness of the Audit and Risk Management Committee from April 2022 to March 2023, and outlined the topics which the committee had considered over that period. He added that there are still a couple of actions required from the previous year which will be carried forward and include the position statement of CIPFA with regards to the terms of reference for the committee and to ensure that they are aligned. David Thacker stated that there also needs to be work undertaken with regards to members and their key knowledge and skills as well as looking at the subject of value added, and these key areas will be reviewed over the next few months and then a report will be brought back to the committee.

Members approved the Audit and Risk Management Committee Annual Report for 2022/23 to be submitted to Council.

ARMC6/23 INTERNAL AUDIT CHARTER

Members considered the Internal Audit Charter report presented by David Thacker, Interim Internal Audit Manager.

David Thacker explained that the Internal Audit Charter is a document that reflects best practice audit guidance and is reviewed every three years by the Audit and Risk Management Committee. He explained that it has been changed to reflect the reporting line and the inclusion of Amy Brown as an Assistant Director and the resources, competencies and training are all the same.

Members asked questions, made comments and received responses as follows:

- Councillor Tierney made the point that it may appear that members are disengaged by not making any comment, however, as there is nothing contentious and everything is running

smoothly then he sees no reason to make comment.

- Peter Catchpole explained that due to a typographical error the very minor changes with regards to reporting lines had not been highlighted in the document and, therefore, it was agreed that the document should be circulated to the committee, and should any queries be raised, the report can be brought forward again at the next scheduled meeting.
- Councillor Christy asked for clarification with regards to the time frame for the review of the charter? David Thacker explained that it is normally every three years in line with the External Quality Assessment (EQA) and it should only come forward if there are any changes. He added that the charter sets out the function of Internal Audit and its roles and responsibilities and should not fundamentally change at all, but it is always best practice to review it after the EQA.

Members approved the Internal Audit Charter.

ARMC7/23 INTERNAL AUDIT PROGRESS REPORT 2023-24 Q1

Members considered the Internal Audit Progress report for Quarter 1 presented by David Thacker, Interim Internal Audit Manager.

David Thacker explained that the report outlines the audits to date and what work has been brought forward. He commended the work of the Internal Audit team for the challenges they have dealt with and overcome due to the departure of the Head of Internal Audit who had moved onto a new role. David Thacker explained that the report shows that there are three audits which are still being finalised and are due for imminent completion. He explained that due to the various commitments there will be no capacity for any internal audit work to be undertaken in the month of August but that will mean that he is able to review the Audit Plan for 23/24 in order that it becomes more risk focussed and, therefore, fewer audits will be undertaken but better-quality audits in order to give better assurance to the committee.

Members noted the activity and performance of the Internal Audit function.

ARMC8/23 AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAM

Members of the committee considered the Audit and Risk Management Committee Work programme.

Members noted the work programme for information.

ARMC9/23 ITEMS OF TOPICAL INTEREST.

Mark Saunders, Chief Accountant, introduced himself to members of the committee and explained that as part of his role he will be presenting various items to the committee during the municipal year. He referred to the External Audit for the 2021/22 municipal year and explained that the auditors are submitting queries on a very frequent basis which are being responded to. He added that he was due to have a meeting in the next day or so with the external auditors to try and resolve the outstanding issues to ascertain and agree a timetable to finalise the audit.

Mark Saunders explained that the issue is not one that just affects this Council as it appears to be a national issue and auditors across the country are way behind with the completion of 2021/22 audits. He referred to a letter recently received from the Department of Levelling Up with regards to local audits making the point that they are currently undertaking an inquiry into the local audit regime.

Mark Saunders pointed out that within that letter it states that only 27% of audits for the 2021/22 financial year have been completed and the combined total of outstanding audits dating back to 2015/2016 is now 520 and it is a very widescale national problem for auditors not being able to

complete audits for local authorities. He added that the Department of Levelling Up will be consulting over the summer about introducing various measures in which to try and overcome and conclude some of the outstanding audits and it is hoped that the Council's audit should be concluded fairly quickly unless any new queries are raised.

Mark Saunders said looking forward it is hoped that the external auditors report concerning the audit of the Statement of Accounts for 2021/22 can be presented to the committee in September and following that they will be able to sign of the 2021/22 final accounts which can then be published on the Council's website. The final Statement of Accounts will also be presented to the committee at the September meeting.

Mark Saunders explained that completion work for the 2022/23 is still in progress, whilst monitoring work for 2023/24 is taking place. He added that in August the budget process for 2024/25 will commence and with all these aspects ongoing it does become challenging.

Mark Saunders explained that the two issues which appear to cause the auditors problems when considering the local authority accounts are the pension valuations and the PPE which is the property planning equipment or asset valuations. He added that both aspects of that work are undertaken by expert external consultants, however, those topics still appear to raise queries but will make no difference to the Council's accounts.

Mark Saunders stated that the external auditors will present their report to the committee and will also present their audit opinion at the same time. He explained that the external auditors have already advised that they will not be able to commence on audits on the 2022/23 accounts until November 2023 and, therefore, looking forward there may well be some changes to the work programme over the course of the next few meetings.

Peter Catchpole explained that the situation is becoming somewhat of a challenge for the team professionally because it is not something that they welcome or are used to. He stated that the 2021/22 accounts were published by the Council by the end of July which is in accordance with guidelines which have been adhered to.

Peter Catchpole stated that he has not yet authorised the publication of the 2022/23 accounts because until he has an audit opinion on the 2021/22 accounts, he does not feel he can answer the statutory true and fair question and, therefore, the accounts for that financial year will not be published until the 2021/22 accounts are concluded. He stated that if there is an issue with the 2021/22 accounts that would mean that the opening balance into the 2022/23 accounts would be affected.

Peter Catchpole stated that on a positive note the Council finds itself in a far better position than a number of other neighbouring authorities, who still have outstanding accounts for 2019/20. He added that he would hope that by the September committee meeting he can bring some of the outstanding matters to the meeting but there could be some slippage with the work programme but that will not be due to the officer's want of trying.

Members asked questions, made comments, and received responses as follows:

- Councillor Christy asked for reassurance that even though there are various aspects outstanding with regards to accounts and audits, there is no adverse impact on the Council? Mark Saunders stated that whilst there are matters outstanding there is no impact to the general financial position of the Council. Peter Catchpole explained that the details concerning the financial out turn for 2022/23 was presented to Cabinet which outlined the financial position of the Council, and he would prefer to see the statement of accounts signed off, but the facts and figures have been presented to Cabinet and are available for everybody to see.