

## Minutes

of the Meeting of

## The Audit Committee

Thursday, 9 March 2023

Kenn Room

Meeting Commenced: 10.30 am

Meeting Concluded: 12.30 pm

### Councillors:

John Cato (Chairperson)  
Sandra Hearne (Vice Chairperson)  
Marcia Pepperall  
Patrick Keating

**Absent:** Councillor Richard Tucker

**Other Councillors in attendance:** Geoffrey Richardson

**Independent Members:** Peter Bray, Sharon Colk

**Also in attendance:** Barrie Morris (Grant Thornton)

**Officers in attendance:** Amy Webb (Director of Corporate Services), Jeff Wring (Head of Audit West), Peter Cann (Head of Audit and Assurance), Michèle Chesterman (Committee Services Senior Officer), Emma Diakou (Head of Business Insight, Policy and Partnerships), Jess Robinson (Committee Services Support Officer)

### **AUD 27 Declaration of Disclosable Pecuniary Interest (Standing Order 37) (Agenda item 3)**

None

### **AUD 28 Minutes of the meeting held on 26 January 2023 (Agenda item 4)**

**Resolved:** that the minutes of the meeting be **approved** as a correct record

### **AUD 29 Q3 Risk Management Update 2022/23 (Agenda item 6)**

The Head of Business Insight, Policy and Partnerships presented an update on the directorate risk registers and against the strategic risk register as of the end of Q3.

It was reported that there were 14 risks in the strategic risk register as of Q3. This compares to 12 risks in Q1 and 14 risks in Q2. No new risks were added in Q3.

Two risks scores were de-escalated from HIGH in Q2 to Q3 which were the risk that the council are unable to reduce or mitigate inflationary pressures (such as energy prices), resulting in impacts on our services. The second being the risk that the council do not manage the increased demands on social care or market demands within available financial or staffing resources for adult social care.

Three risks scores were escalated to HIGH Q2 to Q3. These were; the risk that the council do not manage the demand for children's social care and SEND placements within available resources and the risk aligned to the deteriorating condition of some of our assets.

It was explained to members the treatment for all risks following mitigations is to ACCEPT as the activity aligned to each risk cannot be CEASED.

It was reported that there were 88 reportable risks across the five council directorates (Adults, Children's Services, Corporate Services, Place, and Public Health and Regulatory Services). Some of these risks were similar to the risks which had been escalated to the strategic risk register and are therefore held at both directorate and strategic level.

Members were informed that following inherent risk scoring, 56 risks were identified for mitigation (they scored MEDIUM, MEDIUMHIGH or HIGH). After mitigating actions were applied, 25 risks remain HIGH, similar to previous quarters.:

The High scoring risks were highlighted as follows:

- Risk that we are unable to meet the increased costs of adults with complex needs in a sustainable way whilst safeguarding the most vulnerable (Adults directorate).
- Risk around the number of people waiting for a care act assessment due to the length of the localities waiting lists (Adults directorate).
- Risk that we will not be able to support enough families to reduce the likelihood of eviction/forced to private sector rent rises (Adults directorate).
- Risk that we do not manage budgets effectively in-year and ensure a balanced budget (Children's directorate).
- Risk that we do not deliver savings against the Medium-term Financial Plan (Children's directorate).
- Risk that we do not recruit/retain sufficient staff across the directorate (Children's directorate).
- Risk that we do not deliver sustainable change in Children's Services at the right pace of the improvement journey (Children's directorate).
- Risk of managing demand for children's social care placements (Children's directorate).
- Risk of managing demand and delivering sufficient places for SEND (Children's directorate).
- Risk that we are unable to deliver the priorities of the council by not planning to meet the medium-term financial challenge and delivering a balanced budget (Corporate Services directorate).
- Risk of the financial envelope of the pay award and the impact on the

- budget (Corporate Services directorate).
- Risk that there is noncompliance with mandatory training programmes (Corporate Services directorate).
- Risk that our starter and leaver processes are not timely, leading to weakened controls (Corporate Services directorate).
- Risk of cyber-attacks and malicious attempts to damage critical services (Corporate Services directorate).
- Risk that we do not manage revenue budgets effectively in-year and ensure a balanced budget (Place directorate).
- Risks of significant financial pressures across the directorate resulting in contract risks and service delivery risks due to increases in energy costs and inflation (Place directorate).
- Risk that income levels in community buildings does not recover post covid (Place directorate).
- Risk that the home to school transport service continues to show volatility in financial performance (Place directorate).
- Failure to recruit/retain skilled roles leading to failure to deliver decisions within agreed timescales (Place directorate).
- Delay to Local Plan process exposes council to risk of speculative development and unplanned growth through appeal (Place directorate).
- Risk that the lack of five-year supply could lead to the council being exposed to appeals for residential development in sub-optimal locations and additional costs of appeal (Place directorate).
- Flood risk - climate change and rising sea levels present a significant risk to people, property and the economy on low lying land across North Somerset (Place directorate).
- Risk of non-delivery of behaviour change for transport leads to severance, road safety dangers, lack of decarbonisation (Place directorate).
- Risk related to all council owned trees (tree risk management) (Place directorate).
- Risks to achieving a net zero position by 2030 given current resources and sphere of influence (Place directorate).

The treatment for all risks following mitigations was presented as to ACCEPT as the activity aligned to each risk cannot be CEASED. Members are guided to appendix 2.

All Annual Directorate Statement commitments that were AMBER/RED or RED were reviewed as at end of Q3 to identify if a risk was aligned to them within the strategic and directorate risk registers and if not, to consider whether they should be. This ensures a clear link between the business planning framework and the risk management framework. As of end Q3, 7 commitments were rated AMBER/RED. 3 commitments were RED. Of these AMBER/RED and RED commitments all were reflected in the strategic and/or directorate risk registers.

Members asked questions and received clarification on the following issues:-

**Q** How are assets in poor condition identified and what information is known about the condition?

**A** Works are in progress to determine the condition and feasibility of the council assets. Assets in the poorest condition have been identified.

**Q** Are critical assets identified in this such as schools?

**A** There are only 6 remaining maintained schools in North Somerset. The Head of Business Insight, Policy and Partnerships agreed to come back to the committee with detail on whether critical assets are included or general assets.

**Q** Should the current asset register be placed on the strategic risk register?

**A** Ongoing strategic risks are detailed.

**Q** Is there a penalty attached where there is failure to meet adult social care performance indicators on the adult risk register?

**A** The Head of Business Insight, Policy and Partnerships agreed to come back to the committee with detail that answers this.

**Q** Members asked if there is a specialist/person within the authority who are dedicated to the applications for adult social care grants?

**A** Where grants are allocated to the council, amounts are agreed by central government following a consultation with authorities, using an allocation formula. This type of funding does not require an application. Where grants and funding require an application process, this is undertaken by a combination of the Bid Writing Team in Capital Development, Finance Business Partners and suitable representatives from the relevant directorate. This is change dependant per bid.

**Q** Are rental shortages and increasing issue for the area?

**A** This is both a local and national issue concerning availability of both property and affordable property. It is notable that private rents are also increasing significantly.

**Q** How does the authority plan to address the risk posed by high private rents?

**A** The council have very limited control over this area. This will be incorporated in next year's audit plan.

**Q** Does the council have a pool of accommodation and temporary accommodation?

**A** The authority does not own any housing stock as this was transferred to Alliance Housing Association. The council does have access to temporary accommodation but is also not within our ownership.

**Q** Would the council seek to invest in its own housing stock?

**A** This would require notable change to how the council currently operates. Housing revenue has not fallen under our responsibility for 15 years. There are options where the authority can invest in social housing providers. Alliance have also delivered four hundred affordable houses within the authority area this year.

**Q** Can officers clarify the risk regarding the safeguarding of adults and why this has become negative?

**A** There is an element of improved reporting and processes that are likely impacting on this without the service and activity actively becoming worse in real terms. However, this directly links to the delays the authority is experiencing with care assessments and the existing back log in this area. There are multiple PI's that feed into this detailed within the report. This item is included in next year's audit plan.

**Q** Members asked if the local plan will be completed soon?

**A** The authority confirmed it is waiting for the government to publish the levelling up and planning bill.

Members drew awareness to the recent flood risk report published by Bristol University and the altered data. Noted by officers.

The Chairperson concluded this agenda item by giving thanks to the improved quality and details in the risk reporting that had been undertaken over the past seven months.

**Resolved:** That the Q3 updates to the 2022/23 Strategic Risk Register and 2022/23 Directorate Risk Registers be **noted**

**AUD 30**     **Audit and Assurance Plan 2023-24 (Agenda item 7)**

The Head of Audit and Assurance (Audit West) presented the report of the Audit and Assurance Plan 2023/24.

Members were advised that the report would inform the main body of works for the next year and that this could be amended. Members were directed to page 50 of the report for more detail. Members were also advised that the mandatory external assessment was due, had been concluded and passed.

The representative explained that where possible, works have been aligned with those of BANES to support efficiency and to enable access to BANES specialisms/resources and to foster the sharing of good practice across both authorities as part of the joint working arrangement.

The Committee were guided to Appendix B detailing best practice and how services were delivered.

Members commended the quality of the Audit Training that was delivered by Audit West.

Members asked questions and received clarification on the following issues:

**Q** Can the representative clarify which items did not make it onto the plan and the rationale behind this?

**A** Items and areas that receive assurances from other bodies have been omitted. Allowing specialist in the field such as OFSTED to provide these assurances gives a degree of credibility and depth that cannot be provided at a generalist level. This also avoids wasted resources giving duplicated assurances. The proposed plan has been developed in partnership with the S151 Officer, Senior Leaders and stakeholders within the local authority.

**Q** Members query if satisfactory measures are in place to monitor the use of outside bodies in such a way in event of failure.

**A** There are plans in place to mitigate breakdowns in control.

**Q** Members asked for clarification around the retention of assets highlighted in the report and what was meant by this.

**A** This relates to "human assets" as this is the authority's largest asset.

**Q** Clarification required around Public Health Funerals.

**A** This is highlighted to ensure we have certainty this process is being followed and that all funds are retrieved from the estate where possible.

**Q** Members asked how the reporting of children missing from education is recorded and monitored and if given the importance, auditing of this area should be planned for earlier in the year?

**A** This is the Councils statutory duty, however the data and recording is collated and held by Multi Academy Trusts and Standalone Academies. We do not have direct access to this data. Therefore, it is imperative that we are working with MATs/Academies to receive this data and ensure the correct reporting is coming

back to the authority. Some of this is addressed as part of audit checking and by service areas within the council. Audit timing of this area has been planned to align with the academic calendar and ensure there are not clashes with peak demand times for schools to ensure we obtain the best quality data.

**Q** Members asked if there is enough resource given to Audit?

**A** There is a balance to be struck between generating meaningful value and assurance concerning audit outcomes. Recommendations regarding audit sufficiency are detailed in the report.

**Resolved:** that the Audit and Assurance Plan 2023/24 be **approved**

## **AUD 31** Counter Fraud Update (Agenda item 8)

The Head of Audit and Assurance (Audit West) presented the Counter Fraud Update Report to the committee. This was an update report to outline the main counter fraud activity that took place during the 2022-23 financial year.

Members were advised that the purpose of the report was for information.

Nationally, fraud accounted for £40.3 billion in losses and £7.3 billion in local authority losses.

Key fraud risk areas in Local Authorities included, Council Tax Fraud, Disabled Parking Concessions (Blue Badge), Business Rates and Housing Benefit Fraud.

Accordingly, work was scheduled within the 2023/24 Internal Audit Plan to review NNDR (Business Rates), Council Tax and Housing (Lettings Service). At the time of writing the report, the Internal Audit Service were also undertaking planned internal audit work within Housing on the Homelessness Prevention Service and this included a review of associated fraud risks.

An audit review of Blue Badges was last completed in 2020/21 and then followed up in 2021/22 to confirm that the recommendations made in the (2020/21) review had been implemented. It was anticipated that the next review of Blue Badges would take place as part of the 2024/25 audit plan, although it did form part of the National Fraud Initiative exercise which was outlined in Section 3 of the report.

In discussing the report Members asked questions and received clarification on the following issues:

**Q** Does the council audit pension fraud?

**A** Pension fraud is audited and is becoming an increasing issue nationally concerning third party fraud. The council also continues with monitoring and investigations of payroll fraud to determine root causes of payroll errors and identify process improvement.

**Q** Does the council compare its data with outside bodies?

**A** In principle, this appears to be a good idea. Trials and past experience have shown us there are complexities with this. All organisations use differing systems, software and report differently. Therefore, past attempts of comparing have been unsuccessful.

**Q** What is the importance of public referral for fraud reporting?

**A** Public reporting can provide the council with essential information. We are seeing an increasing number of public referrals and have received 37 this year. Public referral has also alerted the council to instances where it is appropriate for other service areas to become involved for example, highlighting vulnerable people.

**Q** Is there a specific bribery risk assessment?

**A** This is incorporated within the general fraud risk assessment.

**Q** What activity is undertaken around checking Councillor Declarations of Disclosable Pecuniary Interest?

**A** This is included within the council code of conduct. We also undertake randomised checks of business associations and other areas that would be covered by Declaration of Disclosable Pecuniary Interest.

**Resolved that:** Counter Fraud Update be **noted**.

## **AUD 32 External Auditors Reports (Agenda item 9)**

The representative from Grant Thornton presented the Audit Progress Report and Sector Update (Year ending 31 March 2023).

Members were advised that amendments to the report were highlighted in blue and that there were no significant issues to report to the committee. The Value for Money reporting and Housing Benefit Reporting would be finalised by the end of March 2023, with apologies for what the representative deemed as an “unacceptable delay”.

Members were updated with the details of the issues impacting on the auditing sector, including the complexities surrounding local authority auditing. An historic overview of the fees and the challenge of recruiting into the specialism was provided. This included the withdrawal of services in this area by two major operators and the numerous risks facing other organisations. There were fee increases under the new contract, but it was noted that fees remained lower than that of 10 years ago.

The representative referred to the Grant Thornton publication “About Time” published on 08 March 2023. <https://www.grantthornton.co.uk/insights/report-key-challenges-in-local-audit-accounting/> which explored the reasons for the delayed publication of audited local authority accounts. North Somerset’s Finance department had already reviewed the document and responded to the recommendations.

Members noted the continued good working relationship between North Somerset Council and the External Auditors. It was noted that North Somerset was one of the first Local Authorities where opinion was given and where infrastructure opinion was unblocked which was a credit to officers. Comments were made on the good quality accounts and finance working papers which made the audit position clearer.

Members were informed there were a number of complicating factors regarding the statement of accounts with regards how easy they were read. This was an issue for CIPFA and the government to consider in terms of financial reporting and

appropriate information. Members discussed the complexity of the accounts procedure and the importance of continuous training in this field in order for them to discharge their duties.

Members asked questions in relation to the proposed actions for the balance sheet variant (£50,000) and were advised that this would link in with end of year procedures and would self-resolve as part of this process.

**Resolved:** that the External Auditors reports be **noted**.

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Chairperson

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