

## Minutes

of the Meeting of

## The Audit Committee

Thursday, 28 April 2022

Kenn Room

Meeting Commenced: 10.30 am

Meeting Concluded: 12.10 pm

### Councillors:

John Cato (Chairperson)

Patrick Keating

Marcia Pepperall

Richard Tucker

**Apologies:** Councillors Sandra Hearne (Vice-Chairperson) .

**Also in attendance:** Barrie Morris and David Johnson (Grant Thornton)

**Officers in attendance:** Amy Webb (Director of Corporate Services), Melanie Watts (Head of Finance), Nicholas Brain (Assistant Director Legal & Governance and Monitoring Officer), Hazel Brinton (Committee Services Manager), Michele Chesterman, (Committee Services Senior Officer), Peter Cann (Head of Audit and Assurance) and Emma Diakou (Head of Business Insight, Policy and Partnerships).

### **AUD 25 Declaration of Disclosable Pecuniary Interest (Standing Order 37) (Agenda item 3)**

None

### **AUD 26 Minutes 27 January 2022 (Agenda item 4)**

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

### **\*\*\*Change to Agenda Order\*\*\***

### **AUD 27 Urgent business permitted by the Local Government Act 1972 (if any) (Agenda Item 11) - External Audit Update**

The Chairperson agreed a change to agenda order, to consider Agenda item 11 next due to its urgent nature.

Regulations required the committee to consider both the North Somerset Council Audit Plan (report from the council's External Auditors) and Informing the Audit Risk Assessment for North Somerset Council (report from the council's External

Auditors) ahead of the audit plan commencing. Audit work would be prevented from being completed within statutory deadlines if not considered at this meeting and the publication of audited accounts was within the public interest for transparency and adequacy of public record.

A representative from Grant Thornton presented the report noting that this was the first year of compiling the group accounts. The report provided an overview of the planned scope and the timing of the statutory audit of North Somerset Council for those charged with governance. Reference was made to specific procedures followed and the requirement to carry out specific work around material transactions and to consider the risk of fraud in expenditure.

Members were made aware of significant risks which included management override of control; income from fees, charges and other service income; valuation of land and buildings (an area of increased focus); valuation of investment properties and valuation of net pension fund liability. Significant findings on these areas would be communicated as well as any other significant matters arising from the audit in the Audit Findings (ISA 260) Report.

The representative highlighted the planning materiality levels which were £7.75m for the group and £7.55m for the council which equated to 2% of the prior gross expenditure for the year. In terms of Value for Money arrangements the risk assessment regarding the council's arrangements to secure value for money identified that financial sustainability, given the current challenging financial environment represented a risk of significant weakness.

In presenting the report the representative drew Members' attention to page 20 of the report which referred to audit fees. There had been significant fee variations in recent years and discussions were taking place with the PSAA in order to agree these. Once agreed they would be discussed with the council. Members were informed that the remainder of the report contained the outcomes of recent quality reviews and that Grant Thornton was pleased with the progress being made on those reviews. In terms of progress against prior year recommendations most were in progress and in follow up with audit.

Members queried proposed fees and visibility on percentage growth. The representative explained that it was higher than the previous year as there were additional requirements regarding group accounts and infrastructure assets and new reporting standards. Members raised queries in relation to major projects such as Metrowest and Banwell Bypass and whether they were covered sufficiently in terms of future risk. Members also asked for clarification around the long-term financial concerns around property portfolios, investments and pension fund, whether the timetable was achievable and the nature of any help that members could give the external auditors in their work.

**Resolved:** that the report be **noted**.

### \*\*\*Change to Agenda Order\*\*\*

#### **AUD 28** Q3 Risk Management Update (Agenda item 7)

The Chairperson agreed to a change in agenda order to consider Agenda item 7 next.

The Head of Business Insight, Policy and Partnerships presented the report providing members with an update on the Q3 Strategic Risk Register.

Members were informed that the North Somerset Council Business Planning Framework was designed to monitor progress and risks aligned to the council's Corporate Plan priorities and against the vision for an *open*, fairer, greener North Somerset. This was carried out on an annual basis by developing, implementing and monitoring Annual Directorate Statements (ADS). These were the business plans for each council directorate and gave the key strategic commitments and key risks for the year ahead.

Members were then directed to Table 1.1 (page 4) of the report which showed the current risks from the Strategic Risk Register with scoring. It was noted that there had not been a great deal of change since Q2. Members were also made aware of a new dashboard that members of the public could access. The only new risks were around the supply chain and in respect of specific risks in terms of SEND Placements the number of children had gone down.

Members queried the red risks in the table and how they compared with Q2 and when Q4 would be available. The officer responded that in terms of the Strategic Risk Register there was a risk in achieving the net zero position. It was not possible to control all events and some would never be green. This was the case for cyber-attacks but much could be mitigated. Members were informed that Q4 ended at the beginning of April and the process generally took six weeks to go through leadership, CLT, Executive and was then published.

In discussing the report Members asked in terms of direction of travel it would be useful for the red risks to have commentary attached and if a link could be inserted for future reports.

It was stressed that at this stage the document was a high level strategic one containing cross cutting issues that affected the whole council and as such it would not be possible to delve down into the detail. In other cases it might be possible to insert generic information but anonymised. There was caution raised around language in order not to expose the council to commercial risk.

Members queried whether they had access to information at a sufficient level and whether there was an action plan below to delve deeper. Members were informed that the Directorate Risk Registers contained that information. A risk Management Strategy was currently in place but was due to be refreshed. Members discussed

what information they would like to see which included more detail and for this to be delivered in the form of an informal meeting.

**Resolved:** that the report be **noted**

**AUD  
29**      **Constitution Review 2022 (Agenda item 6)**

It was noted that a series of workshops involving Audit Committee members, the Chairperson of the Partnerships, Corporate organisation and Overview/Management Policy & Scrutiny Panel and the Monitoring Officer had taken place to review parts of the Constitution and consider proposals for any changes for recommendation to Council. Financial Regulations and Contract Standing Orders had not been within scope of this review given changes being made to UK procurement rules would impact on those elements of the Constitution. It was intended to carry out a review of those elements once the procurement rules changes have been concluded which it is hoped will be later this year. A marked-up version of the Constitution with proposed changes had then been provided to all councillors inviting comment. Officers in Democratic Services and Community Safety had responded with further consequential changes and asking that the Council's Prevent duty was recognised within the terms of reference of the Partnerships, Corporate organisation and Overview/Management Policy & Scrutiny Panel given a requirement for it to be formally acknowledged with Council Constitutions. Councillor Petty had also responded asking that the Constitution be updated with gender neutral text (e.g. chairman being replaced by chairperson).

It was further noted that an index / glossary would be incorporated into the updated Constitution along with diagrams / flowcharts as an aid to making the document easier to read and use.

**Resolved:**

(1) that the Audit Committee confirm the changes proposed from the workshop sessions as shown in the mark-up attached and recommend to Council that those changes be adopted by Council and the Monitoring Officer be asked to update the Constitution and in consultation with the Chairpersons of Audit Committee and Partnerships, Corporate organisation and Overview/Management Policy & Scrutiny Panel make the further changes required to address the points raised by officers and Cllr Petty.

**AUD  
30**      **Audit and Assurance Annual Report 2021-22 (Agenda item 8)**

The representative of the Head of Audit West presented the report on the closing Internal Audit Annual Report to the Committee for the financial year 2021-22. Also included was a summary of audit performance and key issues, as well as the formal opinion on the internal control framework.

It was highlighted that all but two of the audits completed had an overall audit opinion of satisfactory to excellent (between 'Level 3' and 'Level 5').

There were not any significant control issues identified within internal audit's consultancy, advice, and guidance work. There were two audit reports issued

where it was considered that the overall systems of internal control were weak ('Level 2'). These were in respect of a primary school and ICT – Malware/ Ransomware.

Members were informed that there had been four main audit investigations in the 2021-22 financial year as well as significant involvement in a fact-finding review. Two investigations were ongoing during the year, both of which related to suspected Covid-19 grant payment frauds. NATIS had been approached for an update on their own investigation(s) and members would be informed when there was further information to report.

Members were made aware of the details of the third investigation which related to an allegation that an officer of one of the council's partner organisations had been overseen looking at inappropriate material. Internal Audit were asked to investigate this allegation as a matter of urgency, and, upon review, it was confirmed that these allegations were true. The employee concerned subsequently had their employment terminated with the partner organisation. In the case of the fourth investigation an email was received from a whistle blower via the Fraud mailbox where an external source alleged that a council employee had not declared their criminal record. This employee was found to work for a partner organisation. The employee's employment was terminated with that organisation.

Members noted that as well as the investigations the Internal Audit service have assisted in an independent review of the issues surrounding the roofing works commissioned at a North Somerset school during the summer of 2021. There was found to be a lack of ownership and joined-up thinking. At the conclusion of the work, several presentation/ feedback sessions were held with the Chief Executive/ One West, followed by similar sessions with council Directors and Members, and a session with the school.

Members were informed that in terms of completion of the Internal Audit Plan there were forty-six pieces of audit work within the plan. Forty-two audits had been completed or were at reporting stage. One audit (Business Rates) was approximately 60% complete and would be carried forward; two audits had been requested to be postponed into 22/23 (Green Waste/Sea Fronts) and there was one planned piece of work which had been superceded by s151 Officer/Audit Committee Work (Capital Projects)

Members were directed to Section 5 of the report – Conclusion – Opinion on Internal Control Framework. During the period it was noted that opinions had been tempered by remote working. This continued to be the case through most of 2021/22. Overall, it was considered that the council's internal control framework and systems to manage risk are reasonable. Members were thanked for their work, comments and input and that their challenge was appreciated.

In discussing the report members sought clarification in relation to the following matters: green waste and operational pressures; council response rates of members of the public phoning 888888 and the difference between calls answered and how quickly (members to be provided with statistics on response rates); the risk involved for the council with ICT malware/ ransomware; remote working and how the approach to audit would be amended to suit that way of working (more risk based and probably a requirement for officers to visit the office on a risk

basis).

**Resolved:** that the report be **noted**

**AUD 31 Audit and Assurance Plan 2022-23 (Agenda item 9)**

The Head of Audit West presented the Audit and Assurance Plan 2022-23 which formed the principal work of the Internal Audit Service for the new financial year.

It was highlighted that Appendix A outlined the plan and how it was formulated and Appendix B contained the Audit Charter for the Internal Audit Service. It was noted that there had been no major changes to the Charter since the previous year.

Consultations on the Audit and Assurance Plan had taken place during December 2021 – March 2022. It was hoped that members found the plan reflected the discussions which had taken place. The plan had been completed during the Covid 19 Omnicron Variant, the Ukraine conflict and the cost of living crisis. It was proposed to include a formal review of the plan at the six-month stage.

Members were re-assured by a regular review of priorities and thanked the Internal Audit team for the clarity of the report.

**Resolved:** that the Audit and Assurance Plan 2022-23 be **approved**.

**AUD 32 Counter Fraud Report 2022 (Agenda item 10)**

The Head of Audit West presented the report which outlined the work carried out to review and update the Anti-Fraud & Corruption Strategy and related policies which were being presented for consultation. Members were also provided with an overview on the National Fraud Initiative (NFI) and information related to investigations carried out by the Internal Audit function.

Members were made aware of The CIPFA Fraud and Corruption Tracker (CFaCT) survey which tracked the level of fraud and corruption that local authorities had detected, the number of investigations undertaken and the types of fraud encountered. The latest edition of the annual CIPFA Tracker Report (2020) detailed the main themes for national fraud indicators within Local Government (accessed via the CIPFA website)

Known fraud risk areas in Local Authorities were highlighted which included Council Tax Fraud, Disabled Parking Concessions (Blue Badge), Business Rates and Housing Fraud. Members were informed that information regarding known and emerging fraud risks was obtained from a number of organisations and professional bodies, one of which was the National Anti-Fraud Network (NAFN) of which North Somerset Council was a member.

A specific fraud risk, referred to, that had emerged was the cost-of-living crisis. This would be actively considered throughout the year during planning and subsequent work, including the use of data analytics to help detect fraud and the use of workshops.

The Internal Audit function co-ordinated the National Fraud Initiative (NFI) on behalf of the council's Section 151 Officer. Members were informed of the results of 2021/22 National Fraud Initiative Exercise. An invitation has been extended to members of the Audit Committee to attend a workshop hosted by the Audit Service to discuss the NFI exercise and these specific findings in greater detail

Members were informed of the detail of Internal Audit Targeted Work and Investigations [Internal Audit Planning and Reviews and Covid-19 Grant Payments, Data Analytics, Investigations, Fraud Reporting (34 fraud referrals – an increase of 54% on the previous year, mainly due to a redesign of the fraud referral forms) and raising staff awareness (increased articles in the knowledge)].

Section 124 of the report contained details of the Strategy and Policy Updates. The Council's Anti-Fraud & Corruption Strategy is the "umbrella strategy" that brought together all fraud related policies. Policies linked to the strategy have also been reviewed and the following three key policy documents have been updated: Whistle Blowing Policy, Anti-Money Laundering Policy and Guidance and Anti-Bribery & Corruption Policy

In discussing the report members asked for clarification on the following: the risks in relation to the cost of living crisis and whether a separate session would be useful; council tax single person discount (section 6.5) and continuity of tracing and tracking fraudulent claims and the ratio of online to face to face staff awareness training.

**Resolved:** that the report be **noted**.

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Chairman

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