

Minutes

of the Meeting of

The Audit Committee

Thursday, 23 November 2023

Kenn Room

Meeting Commenced: 10.30 am

Meeting Concluded: 12.01 pm

Councillors:

Patrick Keating (Chairperson)
Richard Tucker (Vice-Chairperson)
Marcia Pepperall

Absent: Councillors: Joe Tristram.

Also in attendance: Barrie Morris, Grace Hawkins (Grant Thornton)

Officers in attendance: Amy Webb (Director of Corporate Services), Melanie Watts (Head of Finance), Mark Anderson (Principal Accountant (Resources), Peter Cann (Head of Audit and Assurance), Alex Stafford (Emergency and Business Continuity Manager) and Philippa Penney (Head of Democratic and Electoral Services).

AUD Public Participation (Standing Order 17)

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None.

AUD Declaration of Disclosable Pecuniary Interest (Standing Order 37)

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None declared.

AUD Minutes 21 September 2023

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

AUD Matters referred by Council, the Executive, other Committees and Panels (if any)

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None.

AUD Q2 Risk Management update 2023-24

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The Director of Corporate Services presented the report.

Members were familiar with the risk register and how it fed into the corporate risk registers. There were some additions of new principal risks and a new strategic

risk surrounding artificial intelligence (AI). Ongoing financial pressures remained the most significant risk. Issues were being grouped into headline themes, such as finance and capital value.

Whilst there were no specific issues regarding the impact of Reinforced Autoclaved Aerated Concrete (RAAC) on our buildings, maintenance of council owned estate remained a risk.

The ICT Infrastructure Board had approved an AI policy which addressed how it should be used across the organisation. Encouragement was to use AI, but that any such use must be per the policy. Agilisys was supporting an exploration of potential systems that could be used, with the emerging themes being used to form a business case. Any decision-making software must not be discriminatory and, whilst human decision making was not free from error, the expectation placed on AI was that of high accuracy.

Coastal flooding posed a principal risk for North Somerset, more so than surface water flooding caused by extreme weather. The concern from residents had been exacerbated by the maps published by the Environment Agency so far showing only the unmitigated risks, but this was being addressed to take the mitigation impacts into account.

Members discussed any underlying risk for North Somerset arising from the financial position of Somerset Council. The Director confirmed that our own financial position had been addressed in the MTFP report being considered by the Executive next week. Implications for services delivered by Somerset Council were being monitored but there were no risks of failure at present. The underlying risk management remained robust, and the Somerset experience seemed to stem from the amassed district budget shortfalls rather than failures to governance and decision making. Grant Thornton was due to publish a national report on failing councils on 8 December and would include this on the committee agenda for January.

Shared service arrangements with Somerset Council did still exist e.g., Registrars, but the majority were brought back in house over the last year or so. It was also confirmed that, whilst there was legal provision for a local authority to lend money to another, North Somerset had not lent any money to Somerset. Members discussed potential future impacts to public transport and bus routes resulting from changes being made in Somerset and agreed to keep it in view.

Barrie Morris took the opportunity to introduce Grace Hawkins who would be replacing him following the 5 yearly auditor rotation. Grace would be presenting the annual report to committee in January.

Resolved: that the Audit Committee noted the Q2 updates to the 2023/24 strategic risk register and escalated risks from the directorate risk registers

AUD 15 Internal Audit Update Report November 2023

The Head of Audit & Assurance presented the report which covered both internal audit and fraud from 1st April to 1st November 2023.

No significant issues had been reported this year. Highlighted points were in relation to whistleblowing and were broadly related to a theme of non-compliance in following the leave recording policy. Whilst this had proved to be a unique example rather than a regular occurrence, HR were reviewing the policy to strengthen for the future. Use of the whistleblowing process underlined confidence in the referral process.

Unplanned work had taken place regarding the Clevedon seafront, with a lessons learned review that considered decision making, engagement, and project management arrangements for this specific project. This was separate to the AECOM review who were looking at how the scheme in place was working in practice so a different perspective from audit.

The Director of Corporate Services gave assurance that the Banwell bypass had been managed very differently and did not encounter the same issues as experienced at Clevedon. Whilst there were unavoidable risks associated with Banwell, it was a much bigger scheme and therefore subject to greater scrutiny and governance.

National advice and guidance had been shared during fraud awareness week and the Chief Executive had reiterated the messaging in her weekly email to all staff.

The table on page 26 of the report detailed the data analytics work detecting fraud and error within the council. Whilst nearly all duplicate payment had been identified and resolved, further work was underway to minimise occurrences in the first place. It was confirmed that, whilst the administrative cost of recovery was minimal, North Somerset would be benchmarked against other authorities for reassurance.

The National Fraud Initiative considered data sets externally, and discussion included estimated savings from blue badges and notification of deaths by using Tell Us Once. This would be included in the internal audit plan for next year.

The committee were given an update on progress against planned internal audit work throughout the year. Three had been deferred due to the time taken on unplanned work such as Clevedon. The deferred items were lower risk and had been agreed with the directorate (Place).

The majority of recommendations were yet to be implemented but were being kept in view to ensure progress. None were overdue. An update would be provided to the next meeting.

Resolved: that the Audit Committee:

- Noted the progress in delivery of the 2023/24 Annual Internal Audit Assurance Plan; and
- Noted the associated Fraud prevention and unplanned work that had been completed

AUD 16 2023/24 Treasury Management Mid-year Report and 2024/25 Strategy Update

The Principal Accountant (Resources & Financial Planning) presented this mid-year report containing a six-monthly update against the strategy that had been set

in February.

It was suggested that interest rates were at or near their peak and that the inflation rate was improving. It was confirmed that the £5.97m estimate for investment income was realistic. Returns of 4.6% were broadly in line with expectations. Borrowing requirement levels had been reprofiled with no additional funding being drawn down at 30th September.

Non-treasury management activity actively comprised commercial investments with a forecast annual yield of 0% which shows the council is not overly reliant on commercial activity to support the revenue budget. The Sovereign Centre continues to offer retail and non-retail activity and the council recognised the longer-term place-shaping impacts these assets had on the local area.

The CIPFA code of practice set out the indicators required to report against, all of which had been complied with. The 2023/24 strategy also contained approved counterparty limits which, other than one non-material exception, were also complied with.

The balance sheet summary reflected a higher investment level than expected, but this was due to two large lump sum annual funding amounts from WECA and the Integrated Care Board received in September.

The investment strategy for next year would be brought to committee in January. Whilst no major changes were anticipated, the report would seek to formalise the Environmental, Social, Governance (ESG) policy framework within that strategy.

The table of limits aimed to avoid over exposure to a single counterparty.

The public works loan board was a complex organisation albeit relatively easy to access funds from. It couldn't be used to fund commercial or revenue expenditure, and all borrowing facility would be cut off if used outside the regulations. Spending returns were submitted to government and had to detail exactly what we spent it on, matching the original criteria.

Resolved: that the Audit Committee noted

- the in-year treasury management performance to 30 September 2023 which included performance, prudential indicators, and commercial investments; and
- the proposed matters for inclusion in the treasury management strategy 2024/25

AUD 17 Business Continuity Co-Ordination - Update Report

The Emergency and Business Continuity Manager presented the report. The requirement to have a Business Continuity management strategy was built in to the Civil Contingencies Act and imposed a statutory duty on all category 1 responders to have business continuity plans in place.

A template plan had been developed for the critical services which had been identified by each of the directorates. These included instructions as to procedures that would need to be implemented including impact analysis and contingency work around key issues such as IT provision and staff. Business

impact analysis didn't look at specific risks but rather covered a multitude of different scenarios. It had been rolled out across 88% of critical services, and current work was with children's services, bringing in the other 12% by 5th December. Plan maintenance would be ongoing thereafter.

One of the key requirements was for training and exercising. Workshops had been held with critical services throughout the last 2 years to help inform the plans. A test had been conducted for a strategic level IT outage, and the actions from that exercise were 86% complete. The test was to be rerun on 20th March 2024. The intention is to then consider business continuity testing more at directorate and service level.

The Business Continuity team were working with the accommodation strategy programme team to support the move out of Castlewood. The current arrangement of 2 separate buildings provided some redundancy e.g., in power generation at Castlewood. Castlewood also currently housed the emergency control centre, so consideration was being given as to an appropriate equivalent in the Town Hall.

The community resilience event in May 2023 worked with the voluntary sector. It was hosted by Voluntary Action North Somerset (VANS) and focussed on the impact of climate change. The Emergency and Business Continuity Manager gave a 2 hour presentation on the risks of climate change and the risks of severe weather impacts on volunteers and service users.

There was a significant resource issue for the team, being a small team of 1.5 fte staff plus the manager. Two areas of planned work had not yet been completed i.e. updating the corporate strategy and the corporate plan, but these were being prioritised for next year.

Ongoing operational work included reviewing the contractors and suppliers for their own business continuity arrangements. There was also the maintenance and cyclical review of plans, exercises, and response to regional events.

There were no direct climate change and environmental impacts to the team as these rested with each of the services to consider in their own planning, but severe weather events impacted on business continuity in general.

The National Security risk assessment was produced at a national level and looked at UK wide risks. Whilst it was not public facing, a public version was available in summary although it still remained a large document. It was localised to the community risk register which covered the whole of the Avon & Somerset police area. This was also fed into the Principal Risks as presented in the Strategic Risk Register presented elsewhere on the agenda.

The biggest threat both on emergency management and business continuity was that of coastal flooding. Three of the main settlements in North Somerset were on the coast and all three would be impacted, including the Town Hall. Hybrid working had addressed some of the risks, as the organisation had become adept at working at various locations, not just in the office or at home. This had also created additional risks as staff were spread more widely. Regional or wide-spread power cuts were a risk to back-up power generation, particularly for those

working at home.

Hinkley Point was identified as a significant risk, and the team were working with Somerset Council who led on contingency arrangements. There was a requirement to plan for emergencies at all radiological sites.

The team focused much of their time on risk management and provided a 24/7 response rota with specialist knowledge and dispersal dissemination arrangements.

Liaison with the fire authority was through the statutory Local Resilience Forum (LRF) which mirrored each of the police force areas. It entailed multi-agency engagement including the fire authority and other emergency responders. The LRF reviewed and assessed risks, drawing up and implementing plans.

It was agreed that the role of elected members in the event of a critical incident should be included in a short guidance document or training/briefing session. It was agreed that this should be included in the suite of information provided for member induction.

Resolved: that the Audit Committee noted the update on Business Continuity co-ordination.

AUD 18 Urgent business permitted by the Local Government Act 1972 (if any)

None.

Chairperson
