DONCASTER METROPOLITAN BOROUGH COUNCIL

AUDIT COMMITTEE

THURSDAY, 27TH OCTOBER, 2022

A MEETING of the AUDIT COMMITTEE was held at the COUNCIL CHAMBER, CIVIC OFFICE, WATERDALE, DONCASTER DN1 3BU, on THURSDAY, 27TH OCTOBER, 2022, at 10.00 am.

PRESENT:

Chair - Councillor Austen White
Vice-Chair - Councillor Glenn Bluff

Councillor Dave Shaw.

APOLOGIES:

Apologies for absence were received from Councillors John Healy and Barry Johnson.

64 TO CONSIDER THE EXTENT, IF ANY, TO WHICH THE PUBLIC AND PRESS ARE TO BE EXCLUDED FROM THE MEETING

There were no items were the public and press were to be excluded from the meeting.

65 DECLARATIONS OF INTEREST, IF ANY

There were no declarations made at the meeting.

66 MINUTES OF THE MEETING HELD ON 28TH JULY, 2022

RESOLVED that the minutes of the Audit Committee meeting held on 28th July 2022, be approved as a correct record and signed by the Chair.

67 AUDIT COMMITTEE ACTION LOG

Peter Jackson, Head of Internal Audit presented the Actions Log report and updated Members on the actions agreed at previous Audit Committee meetings, allowing Members to monitor progress against the actions, ensuring that satisfactory progress was being made.

It was noted that all actions were completed and there were no follow up actions outstanding from previous meetings.

RESOLVED that the Audit Committee note the progress being made against the actions agreed at the previous meetings

68 THE COUNCIL'S PERFORMANCE MANAGEMENT FRAMEWORK

Debbie Hogg, Director of Corporate Resources introduced a report, and provided an overview of the revisions to the Performance Management Framework for the Council, and Statement of Implementation, outlining the mechanism by which the Council manage, monitor and govern key activities that contribute to the successful delivery of the Council's Corporate Plan and its alignment to the 'Doncaster Delivering Together' Borough Strategy.

The Performance Management Framework had been developed as a tool so that the Council can monitor and review progress with delivering the priorities in the Corporate Plan and ensure good governance and accountability of its work. The Framework had been reviewed in

2020 to ensure that it remained 'fit for purpose' during the challenging times of the Covid-19 pandemic. The aim of the Framework is to assist Senior Managers, staff and Councillors to understand the key components that contribute to effective performance, as well as providing a corporate approach for the Council.

The Framework brings together the following six key standalone elements of governance under one strategic umbrella and together these documents ensures that the Council have clear guidance and systems in place, and key responsibilities for delivery:-

- Managing the Council's Performance
- Corporate Finance and Performance Reporting Profile
- Service Planning
- Risk Management Strategy
- Data Information Quality Policy
- Due Regard Statements

Paragraph 10 of the report set out a diagram, illustrating the structure, purpose and documents that made up the Framework and the improvements that have been made to the 6 elements of the framework were outlined in paragraph 11.

Further to clarity being sought regarding the resource management process, it was explained that this sets out the Council's budget setting process and the budget control environment. The Assistant Director of Finance outlined the Council's approach in terms of the budget setting process and provided an overview of the different stages of that process. It was further explained that the resource management process was based on the Council having sufficient resources to deliver against the Council's core priorities which was the beginning of the budget setting process. Other components of the performance management framework related to the service standards, firstly with regard to the policies that the Council want to pursue at a top level and the resources aligned to this, and the setting and monitoring of arrangements in place after that.

In response to a question with regard to the Council assessing the impact of risks and whether the Council have a criteria to quantify the impacts, make a judgement of those risks and what the impact it would have. It was clarified that as the Council is a multi-faceted organisation, the assessment of risks was subjective and explained the difficulty in assessing risks, as some risks may have financial impact, others may impact on a particular service and could potentially have political implications, which may be a reputational risk for the Council.

The Councils arrangements to deal with the management of risks to deliver the Council's objectives form part of the budget setting process and each service managers as part of their service plans in terms of managing risk in their areas. Assurance was provided that the Council's had an established framework in place to manage the risks from a service manager perspective and the risk management process was overseen by the Governance Group. This group comprised of statutory officers who reviewed and monitored the risks put forward by management and determine whether the mitigations that officers had identified in assessing whether the overall risk was reasonable, and whether they were to be escalated or de-escalated, dependent upon the consequential impact of the risk. The same Governance Group arrangements apply with regards the Annual Governance Statement.

In answer to questions regarding whether Officers have received training on 'Pentana', the Council's performance management system and whether there was the likely risk that the software provider may withdraw the support for the package, it was reported that the Pentana system was used extensively by staff and championed by the Policy and Insight team manager. The system was easy to access and navigate and was part of the Council's corporate technology and had universal licences which had been rolled out to partner organisations in terms of reporting. There was no risk as it was financed by the Council. The Trusts performance management would be incorporated on to the system. Performance

standards information was inputted on to the system by managers on a monthly basis and that information was then extracted and included in the quarterly monitoring report. The Assistant Director of Finance provided an overview of the Pentana system and offered to provide a demonstration to Members if required.

The Director of Corporate Resources provided an overview of the Performance Management Framework and how this aligned to the Council's Borough Strategy, setting out the broad ambitions of the Council and its partners, and the Corporate Plan which details and coordinates the Council's priorities and key objectives. She explained the process, controls and mechanisms in place for managing operational and strategic risks and performance of the Council in terms of how it was administered and worked in practice. She highlighted that some risks were critical to the organisation and explained the difficulty in these risks being managed down to lower levels due to the nature of the risks. These would be kept on high alert and be given high priority. It was recognised that whilst all members of staff had a part to play in the organisation, in terms of the structure, many actions were required above Heads of service level who had a pivotal role in the organisation in delivering services. The role of Assistant Directors were to ensure that the Councils operations were effective in looking forward and moving from strategic to tactical.

A Member whilst welcoming the statement relating to the Risk Appetite, which reflected the Council's current position, encouraging risk taking for minor to moderate level risks, but controlling more closely those risks that come further up the scale, as set out at page 2 of the Risk Management Strategy, asked how this statement translated into the Risk Matrix and what did that mean. It was reported that Officers would look at the Councils objectives that needed to be delivered and consider the risks and mitigations. It was explained that the matrix did not have the facility to quantify the risks and what that would mean and in practice Officers did not operate in this way.

Following further questions and concerns raised by Members, regarding risks assessed at mid-management or at a lower level that may slip through the net and not be reviewed at a high level, may be overlooked and the potential risk to the authority. It was subsequently agreed the queries and comments raised by Members be communicated to the Policy and Insight Manager and her team and that it would be beneficial for the Committee in the future to have an awareness training session on the practicalities of managing risk within the Council and the arrangements in place to ensure that all risks were managed and reviewed at an appropriate level to help Members understand the process.

RESOLVED that

(1) the revisions to the Performance Management Framework be noted; and

(2) the questions and comments raised by Members be communicated to the Policy and Insight Manager and her team and that in future an awareness training session be held for Members of the Audit Committee on the practicalities of managing risk within the Council, and the arrangements in place to ensure that all risks were managed and reviewed at an appropriate level to help Members understand the process.

69 BREACHES AND WAIVERS TO THE COUNCIL'S CONTRACT PROCEDURE RULES (CPRS

The Committee considered a report, presented by Holly Wilson, Head of Procurement which provided Members with details of all the waivers and breaches to the Council's Contract Procedure Rules (CPRs) for the period 1st March 2022 to 31st August 2022. The report provided a summary of the new waivers and breaches recorded for each directorate since the last audit report presented to the Committee in April 2022 for comparative purposes. Further

details of each waiver and breach and the total contracts awarded versus the number and value of waivers for the period, were summarised in Appendices 1 to 3, respectively.

It was noted that there for the period 1st March 2022 to 31st August 2022 there had been 17 waivers granted which had increased from the last 6 month reporting period where there had been 14 waivers, however there had been a decrease to the amount of waivers for the previous 6 months period. The figures remained static.

4 existing breaches from the previous reporting period had been positively resolved, but there were 6 new breaches as set out in Appendix 1 of the report. There were zero unresolved breaches.

Members sought clarity on aspects of the report, in particular in relation to the 4 new breaches in the Corporate Resources directorate relating to the schools catering department, as detailed at Appendix 1. Members asked for assurances to prevent this issue reoccurring in the future. The Head of Procurement outlined the reasons for the breach which were due to miscommunication and oversight within the department where officers had wrongly made the presumption that the extension period within the original awarded contract was to be extended, however this was not the case and unfortunately Officers had failed to notice the error. It was noted that currently the Procurement team operated from an established spreadsheet category plan system and a spend analysis system for the contracts register. On occasion there had been administrative errors in the system, but this was very rare. It was noted that the current spreadsheet system does not have the functionality to provide an audit trail of any changes made to the system. Members were advised that a new contract procurement pipeline module was to be implemented as part of the Council's e-Tendering system. The system would flag up when any new contracts were for renewal and would allow for data to be stored and managed in one central location. It was anticipated that the new system would go live in December 2022. Assurances were provided that the administrative errors previously made would not re-occur.

Members were pleased to note that there had been no further breaches in the Adults Health and Wellbeing directorate given the concerns raised by the Committee with regard to the issues in the previous year. Following a question by the Chair, the Head of Procurement confirmed that she was satisfied with the current arrangements and assured Members that the new contract pipeline module would help improve the data. In response to a request from the Chair, the Head of Procurement undertook to ensure that the Committee be given advance notice of any matters that arise which may be problematic before formal consideration by the Committee.

Members whilst welcoming the reduction in breaches, made reference to the 2 breaches of Contract Procedure Rules (CPRs) which related to failure by Officers to follow the correct procedures by failing to obtain 3 quotes for contracts, Members felt this was a routine easily accomplished task and was fundamental to the tendering process. It was highlighted that breaches to CPRs exposed the Council to reputational risk, felt these breaches were relatively low risk. Councillor Shaw recognised that mistakes could happen, however raised serious concerns that officers who have responsibility for assessing and tendering for contracts had not received the appropriate training on Contract Procedure Rules (CPRs), and had signed off contracts which he felt should have been done so at a senior level.

The Committee sought assurances that such breaches would not occur again and for Officers to seek appropriate advice before any contracts were awarded.

The Head of Procurement advised that those Officers did not have a clear an understanding of CPRs as they had not undertaken the appropriate training. She acknowledged that due to the size of the organisation, the significant amount of contracts and the high turnover of staff, some officers had slipped through the net and had not received training on CPRs and the procurement of contracts. To mitigate against this happening in the future, she undertook to

ensure that those officers who had breached CPRs to attend the appropriate training in order to raise awareness of their responsibilities when tendering for contracts.

The Committee acknowledged the difficulties in enforcement of the training due to difficulties in recruitment of staff in some areas of the Council, however raised strong concerns regarding contracts being signed by Officers without the necessary training. In these circumstances poor decision making had left the Council open to criticism, reputational and financial risk which could also potentially bring legal action against the Council. In order to ensure oversight of the contract tendering process, the Committee felt that contracts to be signed off at a senior level and arrangements be put in place for any decision made regarding contracts to be assessed at a senior level to ensure that the decision taken was valid. It was also proposed that training on CPRs be mandatory for managers who procured and awarded contracts and in order to reduce the potential for breaches of CPRs re-occurring in the future sought assurance how to mitigate against this happening in the future.

The Assistant Director of Finance in acknowledging the concerns raised, advised that during consideration of the Annual Governance Statement, a specific action had arisen reminding all managers that as part of new officer induction training, that training be provided on the requirement to raise awareness of CPRs and Financial Procedure Rules (FPRs). It was reported that some Officers had previously undertaken training on FPRs. The Assistant Director of Finance gave an undertaking to ensure that all managers were made aware of their responsibility to ensure that any new starters at the Council who are involved in the procurement or awarding of contracts, to receive training on CPRs and Financial Procedure Rules as part of their induction training, and explore whether this training could be made mandatory.

RESOLVED that

(1) the waivers and breaches recorded for the period between the 1st[t] March 2022 and the 31st August 2022, be noted; and

(2) the work undertaken by the Strategic Procurement Team (SPT) to ensure compliance and deliver services be noted; and

(3) the Assistant Director of Finance to explore whether mandatory training on CPRs and to be undertaken by managers as part of their induction training when as a new starter at the Council.

70 INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD JULY TO SEPTEMBER 2022

Peter Jackson, Head of Internal Audit presented a report which provided an update on the work undertaken by Internal Audit for the period 1st July to 30th September 2022, as attached at Appendix 1 of the report. The report also included details of planned audit work completed in the period which had previously been reported and the overdue high risk management actions arising from the audit recommendations which were appended to the report at Appendices A and B, respectively.

The Head of Internal Audit provided an update, summarising the key points in the report, and responded to questions and comments from Members in relation to each of the following four sections of the report:-

Section 1 - The Audit Plan / Revisions to the Plan

During the last quarter there had been a number of amendments to the Audit Plan, as set out in the report which help demonstrate that the plan would be kept under review in respect of work required by the authority.

Members welcomed the work carried out to resolve the outstanding high risk actions in the Trading Standards and Food Safety team, which had been a long standing issue and was no longer of concern. In response to a question, the Head of Internal Audit confirmed that the medium to low level risk management actions relating to the Economy and Environment directorate, as identified in the table at 3.5 of the report were low risks. Two of the risks had been approved, with the remaining low risk which related to a long standing issue over reconciliation of licensing income and Internal Audit was awaiting an update on this issue.

In answer to a query with regard to Foster Care Payments, as set out in paragraph 1.5 of the report, the Head of Internal Audit explained the circumstances around Internal Audit raising specific concerns regarding significant amounts of overpayments previously made by the Fostering Team which had been transferred back into the Council on 1st September this year. The current Internal Audit provider contracts with DCST had also been transferred to the Council. Internal Audit was seeking assurance that the arrangements were working effectively. It was reported that a new fostering payments scheme had been approved during the summer which came into force in September 2022 and Internal Audit would seek further assurance regarding the systems and processes in place.

Concerns were raised regarding the potential impact on the Council in terms of the management of risks and the costs for the Children's Trust coming back under the Council and whether the Committee would receive regular reporting on this issue. The Committee was assured that the overall transition programme of the Trust was being effectively managed. Internal Audit have liaised with the programme office to better understand the risks and the Trusts budgets had been transitioned and have been allocated against budget holders and these would be monitored as part of the Council's quarterly monitoring report to Cabinet and Overview and Scrutiny. The reasons for the transferal of the DCST was outlined. The Council would now be in a better place organisationally and would have greater visibility, insight and control of the high risk and high cost areas of the Trust, which would help the Director of Children's Services to effectively discharge the functions of the directorate.

It was further reported that Internal Audit was working on a monthly basis with the previous suppliers of Internal Audit services of the Children's Trust in respect of the contract transferred over to the Council and ensuring the work programme would be kept under review. The mainstream Internal Audit Plan for the directorate was to be delivered by the Internal Audit team who had identified new areas of risk. The Joint Resource Panel would cover both placements by the existing service and the incoming services placements.

Members welcomed the Trust coming back under the management of the Council which they felt the Council would be in a much stronger position to manage the process in a positive way. Members asked about the amount of work required by Internal Audit to undertake the key piece of work in relation to the Joint Resource Panel and the associated costs and financial risk to the Council, and how this issue was to be resolved in future. It was reported that the Internal Audit team was working with the Joint Resource Panel Working Group which made recommendations to the Children's Services management team on a monthly basis. Arrangements have been put in place to develop an overarching action plan for the Children's Services directorate, which would be linked to the budget setting process and would map out the different placements from a SEND (Special Educational Needs and Disabilities) and Social Care perspective, including the governance and budget holder responsibilities. Internal Audit would work closely with directorate working groups and the Financial Management team to ensure appropriate checking over placements to ensure they were suitable. The Assistant Director of Finance confirmed that it would take a considerable amount of time before any savings would be made. It was noted that further updates on both an audit and financial perspective would be provided going forward.

Clarity was sought regarding the current audit arrangements and the reduction of available staffing resources since the initial Audit Plan was approved. The Head of Internal Audit

confirmed that currently he was able to provide an unqualified annual opinion with the current complement of resources.

Section 2 – Audit Work Undertaken for the Period

Internal Audit had not given any limited assurance opinions for this period and there was no reportable fraud response type work. Substantial work had been carried out with schools as set out in paragraphs 2.8 and 2.11 of Appendix 1 of the report, respectively. The Head of Internal Audit updated Members on overdue management actions. It was noted that there were now only four overdue management actions, two of which had been signed off and there were no high risk actions outstanding for Trading Standards and Food Safety (Economy and Environment) team.

In response to questions, it was noted that Covid-19 related grant work were still being processed. The government had published guidance to support authorities in administering business support grant schemes and reconciliations and the reporting of those grants which were carried out in tranches. An update would be provided to Members on the work that has been carried out in relation to Covid grant work, as part of the Annual Prevention and Detection of Fraud report, which was scheduled to be reported to the Committee in January 2023. It was noted that there were various grants requiring different treatment, dependent upon which government department the funding had been received from. Some grants were audited, signed off by the Head of Internal Audit and Chief Executive stating that the funds have been spent in accordance with the terms and conditions of the grants. Other grants could be signed off by the Assistant Director of Finance. As the receipt of grants goes through the cycle of auditing process, the Committee would receive further updates.

Section 3: Implementation of Management Actions arising from Audit Recommendations

Members referred to the audit work carried out with schools for 2022/23 and the control risk self-assessment process being developed by Internal Audit which was to be issued to all local authority maintained schools, in particular the table at paragraph 3.5 of the report, setting out the high level management actions. The Head of Internal Audit explained that the reason why the figures relating to the number of actions arising from the 3 school audits completed had not being included in the table was that this would disproportionally misrepresent the Councils position due to the number of actions arising from these audits.

Section 4: Internal Audit Performance

There were no new items for inclusion as part of Internal Audit's work on the Annual Governance Statement for 2021/22 and 2022/23. The work undertaken by Internal Audit to date had not identified any reason to issue a negative or limited annual audit opinion on the Council's internal control arrangements.

In answer to a question, it was noted that no concerns in relation to any of the primary schools in addressing the actions required to strengthen controls at the school as they were following the timescales for implementation. Any issues of concern would be brought to the attention of management.

Members welcomed the good progress made on the KPIs and that no areas of concern to be considered for inclusion on the Annual Governance Statement and that the work to date had not identified any reason that would result in a negative or limited annual opinion of the Council's risk and governance control arrangements. Therefore the Committee was assured regarding the Internal Plan coverage and the rolling audit opinion on the risk governance and control arrangements.

RESOLVED

(1) to note the position of the Internal Audit Plan;

(2) to note the Internal Audit work completed in the period;

(3) to note the position with regards the implementation of management actions arising from Internal Audit recommendations; and

(4) to note the current position regarding the ability to deliver the annual opinion over the council's risk, governance and control arrangements.

71 NORTH BRIDGE STORES TRANSFORMATION PROJECT - PROGRESS REPORT

The Committee received a report, presented by Scott Cardwell, Assistant Director of Development and Dave Stimpson, Head of Property Services which provided Members with a quarterly progress update on the North Bridge Stores operational activities instigated following the Stores Management Review, in response to the internal audit carried out in 2019, and their involvement in the Personal Protective Equipment (PPE) stocktaking in 2020. The report was the sixth update provided to Members since the last update to the Committee in July 2022. Details of the key milestones to be completed for the period were set out at Paragraph 9 of the report.

The Head of Property Services outlined the key headlines from the report, in particular regarding the appointment of the new Stores Manager which was anticipated to be in place by the end of November 2022 and the ongoing work taking place by the interim stores manager, the customer and the SPT in making improvements to the stores in relation to the renewal of the contracts which had brought improvements at the stores and had reduced the number of stock lines, the value of stock held and had freed up space, therefore had obtained value for money.

The Committee welcomed the appointment of the Stores Manager post, the improvements made in relation to the accuracy of the half yearly full Stocktake, the progress made on the Key Performance Indicators to those previously reported to the Committee, and progress to date on the Implementation Plan. In referring to the Appendix of the report, Members noted that the Implementation Plan progress had been re-titled as the 'Stores Project Masterplan Summary' and in order to provide consistency and to avoid any confusion requested that in future that both the report and Appendix correspond.

Members acknowledged the reasons for deferment of the Stores User Survey and looked forward to seeing the results of the second survey in Quarter 3 to ascertain the feedback received from customers regarding the improvements made. In order to receive up to date information and provide real time feedback from stakeholders on an ongoing basis improvements made at the stores, Members felt that it would be useful to have a continuous and dynamic survey of the stores customer user base and whether the software used to analyse the results could accommodate this, as this would provide up to date information and alert Officers of any issues that may arise at an early stage as part of the improvement plan. The Head of Property Services agreed to explore this and advised that the next quarterly reporting period would allow for a benchmark to be set, therefore if any slippage to the improvement plan, could be raised at the stakeholder management meetings. He added that in relation to the KPIs, the targets in the plan for the last 4 to 5 months were soon to be met, therefore would provide the opportunity for the rest of the year to make the KPIs more challenging so progress could be reviewed in the future

Further to clarity being sought regarding the themes showing as '0%' progress on the project masterplan summary, why a breakdown of the figures relating to items listed as outstanding / in progress / future, as set out in the Appendix to the report had not been provided and whether the dates for completion of the actions as identified as December 2022 was realistic. It was explained that the actions had been rated and were showing as 'Amber' because they

were yet to be progressed therefore, they had not commenced in the project plan. It was further noted that the number of actions relating to items listed as outstanding / in progress / future, had been condensed in to one page document. The Head of Property Services gave an undertaking in future to more accurately update Members on the actions. Once the Stores Manager post was in post would then provide the opportunity to review the status of progress of where we are.

It was explained that pre-emptive work was taking place in some areas, therefore the actions that had been rated as 'Amber' were to be progressed and had yet to be commenced in the project. The Assistant Director of Development further outlined the progress and improvements made at the stores which was now in a better position and provided assurances that the progress would be closely monitored going forward.

In response to a query regarding contradictory information contained in paragraph 10 and the Appendix to the report regarding training, the Head of Property assured Members that there was ongoing delivery of training and that the information contained in the Appendix 1 relating 0% was incorrect. He gave an undertaking to inform Members outside of the meeting of the current position in terms of training undertaken. It was noted that a training needs assessment for staff members via a PDR had taken place during the summer and further training was being embedded as part of the Standard Operating Procedures.

Concerns were raised that training had not been provided to staff on the ICT system which Members felt was a significant risk to the overall operation of the Stores. Following further clarity being sought on progress in relation to training undertaken and the stores operating procedures, Members reiterated the inconsistencies in the report and were disappointed that the information in the report did not reflect the current position of progress made and requested in future reports provide up to date information regarding the current position. The Head of Property Services gave an undertaking to provide up to date reports and provide Councillor Shaw with information regarding the current position with regard to the operating procedures.

Following further questions the Head of Internal Audit updated Members on Internal Audits work since the last report to the Committee. It was noted that Internal Audit continued to have oversight of the project and had attended monthly meetings to track progress. It was confirmed that the audit of the Stores had been deferred until 2023/24 and provisional timescales had been put in place to allow for the new Stores Manager to assess the current situation at the stores and consider the actions that had been put in place. Discussions would take place to ensure that the required arrangements were in place to implement the plan and then it was anticipated that at that juncture Internal Audit would carry out the audit at Quarter 1 2023/24 reporting period.

During further discussion, the Head of Property Services further clarified that in terms of future reporting, the issues and concerns raised by Councillor Shaw would be included in the progress plan regarding the specific schedule of training for the Stores staff across the service, which was to be delivered alongside the staff structure by the newly appointed Stores Manager. In answer to the questions and concerns raised by Councillor Shaw regarding the operating procedures, the Head of Property Services was unable to provide this information at the meeting, however he gave an undertaking to examine the lines relating to the operating procedures used and the monitoring of operating procedures for implementation and report back to Councillor Shaw. It was agreed that an update on the information requested by Councillor Shaw be communicated to Members of the Committee by email and be included as an update in the Audit Committee Action Plan for the next meeting. The Assistant Director of Development added that the lines of communication with the Stakeholder Board meetings were still taking place.

Members were satisfied that arrangements were in place to continue improvements at the stores. It was agreed that the next progress report on the North Bridge Stores scheduled for

the January 2023 meeting, be deferred to allow time for the new stores manager to get established and to coincide with Internal Audit's report on the Audit of the Stores to Committee in 2023/24. Going forward it was agreed that progress reports to the Committee on the North Bridge Stores be stepped down and any matters to be reported as part of Internal Audit's progress report.

RESOLVED that

(1) to note the updates on the progress at the North Bridge Stores Transformation Project and support the outlined approach;

(2) the progress report on the North Bridge Stores scheduled for the January 2023, be deferred to allow time for the new stores manager to get established and to coincide with Internal Audit's report on the Audit of the Stores to Committee in 2023/24; and

(3) an update on the information requested by Councillor Shaw regarding the operating procedures be communicated to the Committee by email and be included as an update in the Audit Committee Action Plan for the next meeting.

72 STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2021/22 - DRAFT ISA 260 REPORT TO THOSE CHARGED WITH GOVERNANCE

Consideration was given to a report which sought approval of the Council's audited Statement of Account 2021/22 and Annual Governance Statement for 2021/22, as attached to the Appendix to the report and the key issues that the Committee should consider before the External Auditor issued their opinion on the financial statements.

The Chair on behalf of the Committee thanked Grant Thornton and Officers in the Finance Team for completing the accounts in challenging circumstances. The Assistant Director of Finance responded by commending Grant Thornton and the Finance Team for their achievements in getting the accounts to the current position in view of the significant work undertaken.

Grant Thornton presented the ISA 260 report, detailing the key aspects of the External Auditors work for the 2021/22 audit of the Statement of Accounts. Perminder Sethi, Engagement Senior Manager, highlighted the key headlines from the executive summary and summarised the areas for the Committee to note.

It was noted that the audit was nearing completion, and there were no matters that required modification of the proposed audit opinion or material changes to the financial statements, subject to the completion of outstanding matters in respect of Pension fund assets and liabilities and publication of the Statutory Instrument from the Department for Levelling Up, Housing and Communities (DLUHC) on the statutory override for the accounting arrangements relating to infrastructure assets, as detailed on pages 3 and 4 of the ISO 260 report.

No new risks or issues had been identified during the audit, however Grant Thornton had raised one audit recommendation for management arising from the audit in relation to the Council's asset register for vehicles, plant and equipment, where a large number of assets had been fully depreciated and had shown a Net Book Value of zero, but still remained in the asset register, as detailed in the Action Plan at Appendix A. The follow up recommendations from the previous year were also detailed at Appendix B.

It was anticipated that Grant Thornton would conclude the audit by the end of November in line with the statutory target and would give an unqualified opinion, however this was dependent upon the national infrastructure accounting issue across the sector being resolved

via the issuing of a statutory instrument from the DLUHC. The timing of the Statutory Instrument was hoped to be around 30 November to coincide with the statutory date, however the exact publication date was unclear and an unqualified audit opinion would not be issued until that time.

In relation to Value for Money (VFM) conclusion, due to the ongoing challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, Grant Thornton had been unable to complete its work as quickly as would normally be expected, therefore had not yet issued its Annual report and arrangements for value for money. It was anticipated that this would be issued by 26 January 2023 for submission to the Audit Committee, which would also be ahead of the National Audit Office's revised deadline for completion for issuing the Auditor's Annual report (3 months after the date of the opinion on the financial statements). An audit letter explaining the reasons for the delay was attached to the report at Appendix G. However, it was noted that no significant VFM weaknesses in the Authority's arrangements had been identified to date.

In response to questions from Councillor Glen Bluff seeking clarity regarding the Council's approach and treatment in relation to the capitalisation of the lifetime of Council assets in respect of IT development and projects, it was noted that assets such as major ICT projects were treated as capital expenditure and formed part of the Capital Programme. The Council's accounting policy in terms of the capitalisation of ICT assets i.e. software projects was broadly based on a period of 5 to 7 years, and was subject to the requisite criteria in the policy being met and the endurance and nature of the application. The Director of Corporate Resources explained that ICT projects and software applications that exceeded the threshold, would be reviewed and re-procurement of the applications.

Perminder Sethi from an audit perspective, explained how the External Auditor as part of their work in looking at the capital programme spend during the year, would look at the Council's treatment of the capitalisation of assets by selecting a sample of those assets, for example ICT projects, to determine whether the sample complied with the Council's policy on the capitalisation of assets. In response to a question regarding as to whether capitalisation of assets had been defined correctly, it was clarified that the External Auditor would look at the Council's Policy regarding the capitalisation of assets to determine whether the Council where compliant with the Policy and highlighted that any matters of concern would be brought to the attention of management. He explained that clear guidance was in place in respect of how capitalisation of assets where to be treated. The External Auditor confirmed that to date they had not identified any issues of this nature from the work undertaken. The Director of Corporate Resources further advised that the Council's external Valuer as part of its work would not bring a matter relating to the capitalisation of assets to the attention of the External Auditor. She assured Members that procedures were in place to deal with such matters and that the Customer, Digital and ICT team were aware of the regulations in place and their responsibilities under the regulations. In terms of materiality, the External Auditor added that if the asset was not of significance, would therefore, not be identified by External Audit as a risk.

Following further question from Councillor Bluff, the Director of Corporate Resources confirmed that as the Council services moved away from legacy ICT systems on to a Cloud based system, the Council's policy regarding the capitalisation of assets would change and highlighted the challenges of an a Cloud based system in terms of financing the project and Council resources.

In response to a further questions regarding ransomware attacks and whether the Council had taken steps to insurance against ransomware attacks, the External Auditor confirmed that as part of their ICT control work, External Audit looks at the Council arrangements in relation to cyber-attacks, particularly in view of the recent attacks taking place in recent years, which was also part of Internal Audits work. In relation to the provision of ransomware insurance, the Assistant Director of Finance advised that the Council had carried out a cyber-assessment, however she explained the difficulties in getting specific insurance due to what was available

in the market. However, Members were informed that the pre-assessment exercise had been useful in ensuring that the Council's current arrangements were sufficient. In recognising the challenges faced by cyber-attacks, the Council as part of the budget setting process had established a dedicated cyber security team within the Council's ICT department.

In answer to a question from the Chair, the External Auditor reiterated that Grant Thornton was aiming to complete their work and issue a report their Annual report to the Committee's meeting on 26th January 2023.

Further to clarity being sought by the Chair, the Director of Corporate Resources made reference to the diagram on page 18 of the agenda papers, which set out the statutory officers and mechanisms in place for formally signing off natters from the Annual Governance Statement.

RESOLVED that

(1) the contents of the draft external audit ISA 260 report be noted;

(2) the contents of the Letter of Representation as attached as Appendix F in the draft ISA 260 report, be endorsed for signature by the Chair of the Audit Committee and the Chief Financial Officer;

(3) the Statement of Accounts 2021/22 for the year ending 31st March 2022, as appended to the report, be approved; and

(4) the Annual Governance Statement 2021/22, as attached as an Appendix to the report, be approved for signature by the Mayor and the Chief Executive; and

(5) authority be delegated to the Chief Financial Officer, in consultation with the Chair, to agree any adjustments to the Statement of Accounts 2021/22, following the completion of the audit by Grant Thornton, should any changes be necessary, prior to signing by the Chief Financial Officer and the Chair of the Audit Committee.

CHAIR:_____ DATE:_____