

**MINUTES OF THE
AUDIT AND RISK COMMITTEE**
held on 18 September 2024 at 7pm

Present:

Councillor N. Walsh (Chair)

Councillors, V. Canning, H. Clark, N. Dudley, K. Franks, I. Grundy, J. Raven and A. Sosin,

Also in attendance –

Councillor C. Davidson

Independent Persons –

Mr C Groves

Ms J Hoeckx

1. Apologies for Absence and Substitutions

Apologies for absence was received from Councillors N. Bugbee, M. Sismey and R. Whitehead. Councillor V. Canning substituted for Councillor R. Whitehead, and Councillor I. Grundy substituted for Councillor M. Sismey.

2. Minutes

The minutes of the meeting on 24 March 2024 were confirmed as a correct record.

3. Declarations of Interests

All Members were reminded to disclose any interests in items of business on the meeting's agenda and that they should do so at this point on the agenda or as soon as they became aware of the interest. They were also obliged to notify the Monitoring Officer of the interest within 28 days of the meeting if they had not been previously notified. None were made.

4. Public Questions

There were no questions or statements from members of the public.

5. Announcements

No announcements were made.

6. External Audit Update from Ernst & Young (EY)

The Committee received a report and update from the Council's new auditors, Ernst & Young (EY). The report contained an overview of the audit strategy for 2023/24, audit risks, Value for Money risks, audit materiality, scope of the audit, and the timeline of activity. Members were reminded of the government's plans for resetting the external audit of councils, which as previously reported have nationally fallen years behind schedule.

Members were then advised on the identified audit risks from Ernst & Young. These included;

- Misstatement due to fraud error;
- Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure;
- Risk of error in valuation of property, plant and equipment, specifically other land & buildings and surplus assets, and investment property;
- Pension liability valuation;
- Heritage assets and completeness and existence;
- Minimum Revenue Provision (MRP) calculation, which is annual calculated charge to repay debt;
- IFRS 16 – Leases disclosures.

EY advised that these issues were common to all Councils. The audit approach would seek to minimise the risk of the accounts from being misstated by focusing on these key areas.

Ernst & Young had also advised their activity regarding audit materiality, explaining how any errors would only become critical if they exceeded these materiality limits. To draw additional assurance, members were advised that Ernst & Young would utilise the assistance of engaged specialists for the valuation of land and buildings and pension disclosures.

Members were also advised on the work being undertaken regarding the Value For Money arrangements which would be on the same framework that BDO had reported under. Ernst & Young had identified a significant risk on the Chelmer Waterside Development given the size of the project. Additionally, heritage assets would be prioritised to gain assurance. They had also advised on the timetable of their work and acknowledged that the pension assurance would not be available by the end of November but was expected to be completed in time for the final 2023/24 audit report in February 2025.

It was advised there would be a partially disclaimed audit report for 2023/24 reflecting the need to gradually over several years alleviate the national failure of audit firms to deliver audits for in 2021/22 and 2022/23. This disclaimer would be in line with the government's back-stop arrangements.

In response to queries and statements raised by members and the S151 officer, Ernst & Young advised that;

- It was confirmed that the February 2025 date would be the backstop date for the 23/24 accounts. It was also advised that there would be a disclaimer, as given the backlog of audits it was not possible to catch in one year.
- Regarding cooperation from the previous external auditors, BDO, Ernst & Young advised that they had communicated with BDO just before the partner had retired. It was noted that BDO had finished the 2020/21 accounts however two years were still unaudited but would be in the position to fully disclaim accounts for 2021/22 and 2022/23 by the 13th December. Ernst & Young had considered whether to review the audit file from BDO however due to the long period of unaudited accounts, it was uncertain on whether there was any value.
- It was also advised that legislation had been passed to set the backstop dates. Members were advised that for the 2022/23 accounts or earlier, the audits must be concluded by 13th December 2024 and that they must be disclaimed, and that there would be a phased backstop for a number of years. Ernst and Young emphasised the system and sector-wide issues in relation to external audits.
- It was admitted that there would be a large workload and that assurance would need to start at some point. It was advised that the audit opinion would be heavily modified in terms of opening balances and some movements in year but it would not be a full disclaimer of the whole accounts.

RESOLVED that;

- The external audit report and update be noted, and;
- Ernst & Young be thanked for attending the meeting.

(7.03pm to 7.21pm)

7. Draft Statement of Accounts 2023-24

The Committee received the draft Statement of Accounts 2023/24 which had been circulated by email to Members and published on the Council's website in May 2024. Members were also advised that due to the ongoing delays in audits and changes to the deadlines for their completion, the statements were also brought to the Committee to provide an opportunity for timely consideration and review of the accounts. The statement of accounts would then be brought a final time to the Committee for approval on completion of the external audit. Members had also been provided training on the statement of accounts prior to the meeting.

Members were advised of the implications of the audit delays and noted the government's actions to tackle the issue. They were also advised of the upcoming changes to the accounts. These included a change to the asset valuations process which would be simplified except for investment properties and surplus assets. It was also noted that there would also be a change in the accounting for leases where an operational lease would no longer exist.

RESOLVED that;

- The Draft Statement of Accounts be considered, and;
- Officers be thanked for the training session on the statement of accounts.

(7.21pm to 7.24pm)

8. Provisional Revenue Outturn Report for 2023-24

The Committee received a report of the Council's revenue outturn position for 2023/24, outlining the Council's expenditure and income against the approved budgets for 2023/24. The report also outlined the activity in the Council's finances, the variations identified, and the risks they involved. Members were advised that the revenue budget was divided into service budgets, non-service budgets, and reserve use.

Members were advised that there had been an overspend of £0.67million against the latest approved service budget, especially due to the trends on temporary accommodation and homelessness crisis. It was advised that there was a favourable variation of £0.93 million in the non-service budget of which there was an additional income of £1.59 million from interests and higher cash balances. Overall, it was advised that the costs were favourable, by £260k against the current approved budget.

Members were also advised on the approvals of additional spends throughout the year. It was advised that there had been an overspend of £2.5 million against the original approved budget in February 2023. There were also areas to review which identified including housing benefit and council spend on homelessness.

Regarding a query in relation to the managements of the costs in relation to temporary accommodation, it was advised that the Housing Team now had a much firmer grip on the situation. It was advised that the need for temporary accommodation was still increasing reflecting national and local factors.

RESOLVED that the provisional revenue outturn for 2023-24 be noted.

(7.24pm to 7.35pm)

9. Capital Programme Update and Provisional Outturn 2023-24

The Committee considered a report which detailed the capital expenditure incurred in 2023/24 and updated them on the approved Capital Schemes and variations in cost which had been identified at outturn and to date. The report also provided an update on the approved Asset Replacement Programme for 2023/24 and 2024/25 regarding variations in cost and timing which had been identified at outturn and to date.

Members were advised that the capital programme included 82 schemes and that the approved budget was around £119 million. This proposed cost had increased by £2.381 million due to increases in some schemes. Members were also advised on the Local Authority Housing Fund Grant from which £2.61 million would be awarded and

paid towards CHP for the purchase of fifteen properties to be used for temporary accommodation and Afghan refugees. It was also advised that the capital spends in the year had been £14 million lower than anticipated but mostly due to external bodies and areas outside of the Council's control such site conditions being affected by weather. Members were also informed of the budget on Asset Replacement Schemes, including equipment which was proposed to be £6.408 million.

RESOLVED that the capital programme update and provisional outturn 2023/24 be noted.

(7.35pm to 7.39pm)

10. Annual Health & Safety Report 2023-24

The Committee received an annual health and safety report from the Council's Public Health and Protection Services Manager which summarised the activity undertaken within the corporate health and safety area in the last 12 months, analysis of accidents that had occurred, and a summary of the audit activity taken. Members were reminded of the Council's commitment to a high standard of health and safety management.

Members were advised that the Council was committed to high standards of health and safety and noted the partnership with Peninsula, which had been in place since 2020, in providing advice and carrying out audits across the higher risk services such as in leisure, waste collection, street care, and parks. The Committee heard that the Council have a broad range of services, and the team ensured that the Council remained compliant with the relevant legislation. It was also noted that the Council's Health, Safety & Welfare Forum provided senior level representation across the organisation, promoted further cooperation, best practice, and development in improving the health, safety, and welfare of employees at work.

Members were informed of the range of training courses that had been completed which included the required training for Council officers. Members were informed that there were around 1200 training courses that had been undertaken during 2023/24. It was noted that there were also some overdue training that needed to be undertaken with some examples being due to new posts. It was also advised that there would be a disciplinary process to ensure that staff had attended all required training.

It was noted that accidents continued to be a key indicator on the effectiveness of the health and safety management system. Members were advised that the number of accidents had returned to pre-pandemic levels and that there had been a drop in RIDDOR reportable accidents. It was reported that five accidents had resulted in 7+ days off work and one resulted in a reportable injury. It was noted that the majority of accidents occurred in the Public Places Directorate due to number of employees and the high-risk operational services provided. Within the accident categories, members were advised that slips and trips had been the main causes of injury and that injuries in relation to manual handling had increased as well. The number of acts of violence

had not increased but would be closely monitored. It was mentioned that accidents in relation to members of the public also increased to pre-pandemic levels and were generally associated with leisure activities.

Regarding performance indicators, it was advised that the number of accidents had remained at a low level for the number of employees and the activities carried out by the Council. Members were also advised of the audits that had been undertaken by Peninsula and of the list of actions. It was also anticipated that the outstanding actions from the audits would be completed by the end of March 2025.

Regarding queries and comments from members, it was advised that;

- In relation to a query on whether stress management and mental health awareness for both employees and managers were being covered elsewhere, it was advised that the Public Health and Protection Services Manager would investigate this further and respond to members.
- On a query regarding insurance claims, it was confirmed that there had been no claims from staff. Members were also advised that there had been four public liability claims and one claim from a member of the public. Since opening, it was confirmed that Riverside Leisure Centre only had one successful claim since opening after the refurbishment. There had also been one claim for Car Parks, however it was noted that this was two years old. There had also been some motor claims from SEPP and Freighter House.
- It was also advised that there would be an increase on health and risk management training for employees.

RESOLVED that the annual health & safety report be noted.

(7.39pm to 7.50pm)

11. Internal Audit Annual Report 2023/24

The Committee received a report summarising the work that the Internal Audit team had undertaken during the financial year 2023/24, which identified key themes, highlighting how responsive management had been in implementing recommendations, and reviewed the effectiveness of Internal Audit. The Public Sector Internal Audit Standards also required Internal Audit to provide an annual audit opinion and report.

The report concluded that the overall audit opinion was moderate assurance in line with the previous years. It was found that medium risks identified were not significant to the system of internal control, the high risks were isolated to specific systems or processes, and none had an overall classification of critical risk and/or no assurance. There were high priority findings outlined in the report which were being monitored, which were for the museum and housing rents. Members were advised that the team had been working closely with management on the action plans to resolve the identified issues. They were also advised that there had been a positive response

from the management on identified issues and that they were working to fully implement the recommendations.

RESOLVED that the Internal Audit Annual Report 2023/24 be noted.

(7.50pm to 7.55pm)

12. Counter Fraud Annual Report 2023-24

The Committee received a report summarising the counter fraud work undertaken by the Internal Audit Team from 2023 to date. Members were advised that the Council's approach to counter fraud had been revised in 2022 and that a Counter Fraud Strategy had been devised to ensure that the Council was in line with best practice. It was also noted that most of the information had been provided to the Committee from the counter fraud updates in previous meetings.

Members were updated on the counter fraud actions that had been delivered to date, including the updating of the Council's risk register and reviewing the Council's Whistleblowing Policy. The Committee also heard that there were plans to develop and refresh training and awareness activities for staff. Members were also informed that an area of training had been identified for them to take in the future. The report also listed the number and types of investigations undertaken.

RESOLVED that the Counter Fraud Annual Report 2023/24 to be noted.

(7.55pm to 7.59pm)

13. Audit & Risk Committee Annual Report 2023-24

The Committee received a report summarising the work undertaken during 2023/24 in line with CIPFA's Position Statement for Audit Committees 2023 and information had been gathered from the previous minutes and reports during 2023/24. As the June 2024 Audit & Risk Committee meeting had been cancelled due to the General Election, it was advised that the annual report would be presented to the December Full Council meeting.

RESOLVED that the annual report be noted and recommended to the December Full Council meeting.

(7.59pm to 8.00pm)

14. Audit & Risk Work Programme

The Committee were updated on the rolling work programme of future reports and work for the next series of meetings.

Members were also advised that the Council's Procurement and Risk Services Manager, Alison Chessell, and Risk and Insurance Manager, Graham Page would be leaving soon. Members thanked the officers for their reports and advice during their time supporting the Audit & Risk Committee. Emma Till, a Procurement Officer for the Council, was also introduced to the Committee.

It was also advised that insurance would come under the S151 Officer's responsibilities and risk would come under the Internal Audit Services Manager responsibilities.

RESOLVED that the work programme be agreed.

(8.00pm to 8.04pm)

15. Urgent Business

There were no matters of urgent business.

The meeting closed at 8.04 pm.

Chair