

**MINUTES OF THE
AUDIT AND RISK COMMITTEE**
held on 15 June 2022 at 7.15pm

Present:

Councillor N.M. Walsh (Chair)

Councillors A.E. Davidson, J.M.C. Raven, E.J. Sampson, M Sismey, and A.B. Sosin

1. Attendance and Apologies for Absence

Apologies for absence were received from Councillors Clark, Dudley and Knight. Councillor A. Davidson substituted for Cllr Clark.

2. Election of Vice Chair

Councillor Sosin nominated Councillor Sismey to be elected as Vice Chair. This was seconded and agreed by the Committee.

RESOLVED that Councillor Malcolm Sismey be appointed as the Vice Chair of the Audit and Risk Committee.

3. Minutes

The minutes of the meeting on 27 April 2022 were confirmed as a correct record.

4. 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.

5. Public Questions

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

6. Announcements

No announcements were made.

7. External Audit Update (verbal update)

The Committee received a verbal update from the Section 151 Officer. It was noted that the external auditors had again missed their deadline and a new target had now been set for the end of July. Officers informed the Committee, that BDO were focusing on NHS audits and they had not been clear on the process for next years audit.

Members of the Committee expressed their continued disappointment with the delays and the poor level of service being provided by BDO. It was noted that an audit completed this late was essentially worthless as soon the next budget was being planned essentially against unaudited accounts. Members of the Committee also stated that in a different scenario the Council would simply appoint a different auditor, or withhold payments, but due to the PSAA agreement this was not possible. It was also noted that this was a national issue, where in some cases the goalposts had been moved by the regulator in terms of the level of detail in local government audits. However this was no excuse for the continued reassurances from BDO that have simply never been met by them, leading to constantly moving targets and deadlines.

In response to the points raised by the Committee and questions asked, officers informed them that;

- The knock on effects of delayed audits and a potential different auditor in the future would lead to further issues, but currently as officers, there was very little that could be done and this was a national issue.
- The PSAA contract had been designed at a time when these issues were not taking place, therefore there are insufficient performance clauses or sanctions built into it.
- It was simply unacceptable that audits were being completed this late as any findings were potentially out of date when they were found.
- BDO had informed officers that staffing issues had continued.
- They had been unable to engage with BDO on how they were planning the next audit.

RESOLVED that the update be noted.

(7.16 pm to 7.25 pm)

8. Provisional Revenue Outturn Report for 2021/22

The Committee received a report on the provisional revenue outturn position for 2021/22 which showed a projected underspend of £0.7m or 3.38%. The report included a list of key material variations that made up the overspend, the amount and the cause of each variation, and the actions recommended to manage each variation. For each affected service, action or variance, the report identified associated risks.

The Committee noted that assumptions for the pandemic had been built in when setting the budget for 2021/22 but some of these had not turned out as expected leading to variances on some elements of the revenue outturn. The pandemic continued to have an effect as new patterns of use were being established in income areas such as car parks and the leisure centre.

The Committee also heard that there were some variances which looked significant in the revenue outturn but these were due to elements such as income from business rates which were not yet finalised, another example was a £700k charge to revenue which had been moved from the Capital Programme, due to the Environment Agency changing their approach to flood defences in Chelmsford. The Committee also noted in broad terms due gains from Business rates and Government funding there was an additional £3m of unearmarked reserves which would be considered in the Medium Term Financial Strategy being considered by the Cabinet in July.

RESOLVED that the provisional revenue position for 2021/22 and the actions associated with it set out in the report to the meeting be noted.

(7.26pm to 7.32pm)

9. Capital Programme Update and Provisional Outturn 2021/22

The Committee considered a report which detailed the capital expenditure incurred in 2021/22, updated the Committee on the approved Capital Schemes and variations in cost which had been identified at outturn and to date.

The Committee were provided with further details on certain schemes within the programme.

The report concluded that:

- The total cost of the Capital Schemes was forecast to be a net £1.002m more than the latest approved budget of £149.505m
- There were some large schemes which had not been delivered against originally agreed milestones, due to circumstances outside of the control of the Project Officers.
- The underspend on capital schemes in 2021/22 of £15.013m was beneficial to the Council as it had reduced the requirement for internal borrowing in the financial year.
- The 2021/22 Asset Replacement Schemes were £250k less than the latest approved budget, £271k of this variation had been due to moving budgets forward into 2022/23.
- The 2022/23 Asset Replacement Schemes were forecast to be £264k more than the latest approved budget, mainly due to the realignment of budgets from 2021/22, an additional £271k.

In response to points raised by the Committee, officers informed them that inflation adjustment clauses in tenders were likely to feature in the near future. It was noted

that modern practitioners had not dealt with these clauses before but due to the economic uncertainty it was likely they could return.

RESOLVED that the updated capital programme and provisional outturn for 2021/22 be noted.

(7.33pm to 7.40pm)

10. Internal Audit Annual Report 2021/22

Members received a report which reviewed the work of the Internal Audit Service in 2021/22, examined the key themes identified across the Council, highlighted how responsive management had been in implementing recommendations, and reviewed the effectiveness of Internal Audit.

It was noted by the Committee the overall opinion was again of moderate assurance, this highlighted that the systems in place were working well and some small areas of improvement were always to be expected in such a large organisation. It was also noted that the position had not changed significantly in the last year and that the report detailed findings across different service areas. The Committee also heard that Hylands, the market and Freighter House had been selected for more detailed reports due to their roles in collecting income.

In response to a question from the Committee regarding two deferred audits it was noted that these had been requested for specific reasons. For the Chelmsford City Culture audit, this had been requested due to the imminent refurbishment works where it was felt an audit afterwards would be more sensible. It was also noted that the Medium Term Financial Strategy Audit had been deferred due to officers needing more time to determine the issues the audit could and should address. Officers agreed that in future reports, the explanation of officer requests to delay audits would be provided rather than just stating a deferral at the request of management.

RESOLVED that the Annual Report on the Internal Audit Service for 2021/22 be noted.

(7.41pm to 7.48pm)

11. Risk Management Report – Spring/Summer 2022

The Committee received a report updating them on Risk Management. The report summarised the current position for the Council's Principal Risks, reviewed risk management activity in 2021-22 and outlined the immediate priorities for the risk management function in 2022-23.

It was noted by the Committee that reporting to Management Team on the principal risk register had continued. It was noted that section three of the report detailed the

Principal Risk summary and that there had been two changes since the last report. These were highlighted as the theatre refurbishment which was newly included and information governance which had moved from severe to major. It was noted however that Cyber Security was still severe.

The Committee discussed the issues surrounding Cyber Security and agreed it was an area of high importance for the Council. Officers agreed to provide some further detail to members via email or to a future meeting regarding work in this area.

The Committee also heard that the risk management function had now taken on some insurance responsibilities; this had been a good development opportunity for staff and had also led to a general service improvement.

RESOLVED that;

1. the update be noted and;
2. further detail on Cyber Security be provided to the Committee via email or at a future meeting.

(7.49pm to 8.04pm)

12. Audit and Risk Committee Annual Report 2021/22 & Terms of Reference

The Committee considered its Annual Report for 2021/22, submitted in accordance with the code of best practice recommended by the Chartered Institute of Public Finance and Accountancy. The report also outlined the review of the Committee's terms of reference which had been carried out in accordance with the Chartered Institute of Public Finance and Accountancy recommended practice. No material changes had been made since last year.

RESOLVED that Committee's Annual Report for 2021/22 be approved and submitted to the Council and that the terms of reference be noted and confirmed.

(8.04pm to 8.05pm)

13. Work Programme

The Committee received a report updating them on the rolling programme of work. It was noted that a questionnaire would be sent to members soon regarding future training opportunities.

RESOLVED that the report be noted.

(8.05pm to 8.06pm)

14. Urgent Business

There was no urgent business for the meeting.

The meeting closed at 8.07pm

Chair