

## **Audit and Standards Committee Minutes**

The minutes of the Audit and Standards Committee meeting of Wyre Borough Council held on Tuesday, 20 June 2023 at the Council Chamber - Civic Centre, Poulton-le-Fylde.

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### **Audit and Standards Committee members present:**

Councillors Ibison, Bolton, Duffy, Higgs, Jackson, Leigh, Rendell, Sorensen, A Walker and Wells

### **Absent- apologies received:**

Councillors Minto and Stirzaker

### **Absent- apologies not received**

None.

### **Other councillors present:**

None.

### **Officers present:**

Clare James, Corporate Director Resources and Section 151 Officer  
Joanne Billington, Head of Governance and Business Support  
Karen McLellan, Audit and Risk Manager (and Chief Internal Auditor)  
Dawn Allen, Audit, Risk and Performance Lead  
Jane Collier, Human Resources Manager and Deputy Monitoring Officer  
Daphne Courtenage, Democratic Services Officer  
Paul Hewitson, External Auditor (Deloitte)  
Stuart Kenny, External Auditor (Deloitte)

### **Officers absent- apologies received:**

None.

One member of the public attended the meeting.

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## **1 Election of Chair 2023/24**

The Democratic Services Officer opened the meeting and asked for nominations for Chair.

Councillor Rendell proposed and Councillor Higgs seconded Councillor Ibison.

Following a vote, it was resolved that Councillor John Ibison was elected as Chair of the Audit and Standards Committee for 2023/24.

## **2 Election of Vice-Chair 2023/24**

Councillor Ibison proposed and Councillor Rendell seconded Councillor Ken Minto.

Councillor A Walker proposed and Councillor Duffy seconded Councillor Wells.

Following a vote, Councillor Minto, in his absence, was elected as Vice-Chair of Audit and Standards Committee for 2023/24.

Members had a discussion around the future potential of opposition Vice-Chairs and whether the procedure rules could include asking nominees to give reasons as to why they should be elected as Chair and Vice-Chair. It was agreed that this would be suggested to the Leader by the Chair.

## **3 Declarations of interest**

None.

## **4 Confirmation of minutes**

The minutes of the meeting of the Audit Committee held on the 28 February 2023 were approved as a correct record by those in attendance.

## **5 Review of Effectiveness of Internal Audit**

The Corporate Director Resources (S151 Officer) submitted a report to aid the committee in undertaking its required annual review of the effectiveness of the system of Internal Audit.

The Audit and Risk Manager (Chief Internal Auditor (CIA)) introduced the report. She explained to members that the Accounts and Audit Regulations (2015) and the Public Sector Internal Audit Standards (PSIAS) (2013) required local authorities to carry out an annual review of the effectiveness of Internal Audit. The purpose of this was that her audit opinion which was to be discussed at the next item, could be relied upon as a key source of evidence in the Annual Governance Statement. The CIA told members that an application note published by the Chartered Institute of Public Finance Accountants (CIPFA) contained a checklist which was used during this review to assist in measuring the performance to these standards. The review itself, completed by the Audit Risk and Performance Lead, was included in the agenda pack and would be independently validated during their next external peer review in July 2023. However, the completed document had been scrutinised by herself, the Head of Governance and Business Support and the Section 151 Officer.

The CIA told members that following the review, she could confirm that the

council was compliant with best practice and the PSIAS and that there were only four areas which were highlighted as requiring attention.

She asked the committee to consider the results of the review.

The committee considered the evidence that the council had an effective internal audit function.

## **6 Internal Audit Annual Report 2022/23**

The Corporate Director Resources (S151 Officer) submitted a report for the committee to consider the Internal Audit Annual Report for 2022/23 (1 April 2022 – 31 March 2023) and review the progress in relation to risk management activity.

The Audit and Risk Manager introduced the report. She explained that this report was produced to meet the requirements of the PSIAS and the Accounts and Audit Regulations (2015). The report set out the progress made and the work carried out in relation to internal audit and risk management in the year 2022/23. Based on the outcome of the work, it would allow her to make an overall opinion in relation to internal control, risk management and the governance processes across the council. This would then be used as a key piece of evidence in the completion of the Annual Governance Statement.

She highlighted to members that pages 87-107 of the agenda pack detailed the reports completed in house by the Audit Team during 2022/23. For some of the work completed, no reports were issued but an opinion on the controls in these areas was given for the purpose of the overall annual audit opinion. She told members that copies of these reports could be found on the Internal Audit page on the Councillor Portal for the new members of the committee.

She also brought to the attention of members all the other work undertaken during 2022/23 detailed on pages 108 - 113.

She explained to members that the internal control system was a key element to the report, which could be found at page 114 of the agenda pack. In accordance with the Accounts and Audit Regulations, she was required to form an opinion on the adequacy and effectiveness of the council's internal control environment, based on the work completed during 2022/23. Pages 115-116 explained the opinions given to each piece of work completed as well as a summary of her annual audit opinion. She told members that only one piece of work had been given a minimal opinion, which related to the Theatres, and a further three areas of work were given a limited opinion. She reassured members that work would continue on these areas until the opinion was improved. One piece of work was still in progress, and two pieces of work had not yet been started and would be included in the 2023/24 audit plan.

The CIA said that with the exception of the work on the theatres and the procurement breach which had occurred in 2022, there had only been one other significant issue raised in her opinion, which related to the delay of the I

sign-off of the 2020/21 and 2021/22 accounts.

Following all the work detailed in the report, it was her overall opinion that reasonable assurance could be given on the adequacy and effectiveness of the council's governance and risk management processes. This meant that generally, there was a sound system of internal control, governance and risk management and that controls were in place and were generally being applied consistently. Recommendations had been made and these would improve the control environment.

The Audit and Risk Manager summarised the risk management progress report. She said that it comprised of the management of the council's strategic, operational and ICT risks. A strategic risk workshop had taken place in January 2023 and was attended by the Corporate Management Team and the then-Chair of the committee; she added that the new Chair was expected to attend these future workshops. Risks preventing the achievement of the council's business plan objectives were identified and rated, and the results of the workshop were included within the agenda pack at page 119. A copy of the risk register could be found on the Councillor Portal.

Operational risk workshops were also held following the strategic risk workshop, with each service identifying new risks that could prevent the achievement of their service plan objectives. The risk registers were not provided as part of this report, but a copy can be found on the councillor portal.

The ICT risk register was also included in the agenda pack at page 123, and was reviewed quarterly, with the last review occurring on 2 May 2023. The next review was scheduled for 1 August 2023.

Councillors raised the following questions around:

- How often the risk registers were updated and uploaded onto the Councillor Portal;
- Whether the council operated server back-ups as a control for ICT risks;
- ICT/cybersecurity reserves;
- Whether cybersecurity was the council's biggest risk;
- Whether fines for data breaches were included as part of the reserves;

Officers responded to the questions raised by members.

It was explained that the risk registers were updated quarterly, with a six monthly exercise for the operational risks. Depending on the actions for each risk, they had key implementation dates and were monitored through the GRACE system.

In relation to the ICT risks, it was explained that regular back-ups were completed. The Corporate Director Resources added that a report had been published recently that focused on improving the off-site storage solution, in the event of a cyberattack. She also explained that the ICT reserve was not just for cybersecurity. However it was a comfort knowing there was a reserve

in place with an associated five year plan for how the council would spend it to keep pace with changing technology. In order to maintain a certain level within the reserve, a top-up was scheduled for year-end which would come to committee in the autumn. The Corporate Director Resources explained this was a key risk, and gave details to members of the last cyberattack ten years prior. It wasn't the biggest risk, but was one of the key risks and was on the strategic risk register.

In terms of providing for fines for data breaches, it was not typical for local authorities to do this, unless there was an ongoing case. The Information Commissioner's Office had recently acknowledged that fining local authorities could be seen as a punitive measure and may be considered a waste of public money and were actively moving away from this approach.

The committee considered the report.

## **7 Draft Annual Governance Statement 2022/23**

The Corporate Director Resources submitted a report to the committee for them to approve the draft Annual Governance Statement (AGS) for 2022/23 for inclusion in the Annual Statement of Accounts following a review of the council's governance arrangements.

The Head of Governance and Business Support introduced the report. She explained to the committee that the council was required, through the Accounts and Audit Regulations, to publish a statement annually of how the council demonstrated its good governance framework, particularly in relation to the CIPFA guidance on good governance.

She gave an explanation as to how the AGS was put together and explained it was a statement on behalf of the organisation, pulled together by key officers of the organisation through the AGS workshop which took place at the end of the financial year. Officers would go through the CIPFA good governance notes and check which areas of the council complied with these and where they did not. She praised the work of the organisation in its transparency and honesty of what the council did not do well. The statement, for the benefit of the new committee members, was in draft form and would stay so until September 2023 and members were encouraged to review previous audit reports and documents held on the Councillor Portal to gain the assurances required prior to agreeing the final version in September. She read out two statements, from the outgoing Chief Executive and the outgoing Chair of the committee to give members assurances on the draft AGS 2022/23.

She pointed members to pages 138-150 of the agenda pack which set out the core principles and evidence of demonstrating core values. Any identified gaps would either be included in the report or the action plan. She made reference to the hard work of the Audit Team in implementing a new risk management system (GRACE) and also gave details of her evaluation of the assurances given by the Audit and Risk Manager on the effectiveness of

internal control. She also made comments on paragraphs nine, the “Value for Money Commentary” and ten, the “Significant Governance Issues Identified” section.

Members raised questions over the significant governance issues identified and the process by which members would receive and review this work.

The Head of Governance and Business Support explained to members that the draft AGS for 2020/21 and 2021/22 was still in draft form, as the Statement of Accounts had not yet been signed off. Another issue she wanted to draw members’ attention to within her report was the procurement breach experienced in 2022 which had been raised at committee previously. Members raised questions over this procurement breach and the controls in place to ensure this was not repeated.

Overall, she had no other significant governance issues needing referring to in her report. She told members that a supplementary action plan would be available in due course.

She said to members she would present the AGS to the Chief Executive and the Leader of the Council in July 2023; following this, the action plan would be published.

Following discussion, it was proposed by Councillor Rendell and seconded by Councillor Sorensen that the committee agree the recommendations at para 3.1 and 3.2 of the report. The committee resolved to formally approve the draft AGS, and resolved to grant delegated authority to the Section 151 Officer to make minor amendments and any changes requested by the external auditors.

## **8 Statement of Accounts (pre-audit training)**

The Corporate Director Resources had circulated a recorded presentation, along with the slides and some guidance documents from CIPFA and Grant Thornton, for the committee to review prior to the meeting. It was circulated with the June committee meeting to allow members enough time to review the presentation and guidance documents before the meeting in September 2023 when they were expected to go through the accounts. She explained that at this meeting, the committee would go through a robust Q&A discussion format on the council’s finances and this would be directed through a pre-prepared Q&A pack circulated at the meeting. This was a format previously used and had received positive feedback, but it had been noted that a more interactive session was valued particularly for new committee members. This would occur at the September committee meeting with the Head of Finance in attendance.

She encouraged the committee to watch the recorded presentation prior to the meeting and review any of the accompanying documents they find useful.

## **9 Audit Progress 2020-21 and 2021-22 (including 2022-23 Audit Plan)**

## **update)**

Paul Hewitson and Stuart Kenny, the external auditors from Deloitte, were in attendance virtually at the meeting and presented the committee with the progress on the 2020/21 and 2021/22 audits and an update to the 2022/23 audit plan.

Paul Hewitson updated the committee on the three years' worth of audits currently open; this represented the remainder of the terms of appointment as the council's external auditors.

The 2020/21 audit was the oldest still open, but he reassured the committee that the work on this had significantly progressed and it had been agreed for a member of his team to be booked to commence the final bits of work in July 2023 with a view to conclude the work in September 2023.

The 2021/22 audit work had been commenced and though a lot still needed to be done, a team had been booked to begin this work between September and November 2023.

The 2022/23 audit plans were still in progress, as it was difficult to run two years' worth of account concurrently. It was likely this would commence in the new year, with an end goal of March 2024 but more details on this would be available once the previous accounts had been completed or progressed to completion.

He confirmed to the committee that there were no financial penalties for late filing for local authorities, and that this was a national problem for this sector. He himself had six other local authorities experiencing this issue of a lack of local government auditors in the sector.

The Chair thanked the external auditors for their attendance at the meeting.

## **10 Time and date of the next meeting**

The next meeting of the Audit and Standards Committee would be held on Tuesday 25 July at 6pm in the Council Chamber.

The meeting started at 6.32 pm (following training held for the Committee) and finished at 7.44 pm.

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