

Audit Committee Minutes

The minutes of the Audit Committee meeting of Wyre Borough Council held on Tuesday, 14 June 2022 at the Council Chamber - Civic Centre, Poulton-le-Fylde.

Audit Committee members present:

Councillors McKay, Ingham, A Turner, Fairbanks and Ibison

Apologies for absence:

Councillors E Ellison, George, Leech, Longton, Minto, Moon, Stirzaker, L Walmsley and Webster

Other councillors present:

None.

Officers present:

Daphne Courtenage Assistant Democratic Services Officer
Dawn Allen, Audit, Risk and Performance Lead
Joanne Billington, Head of Governance and Business Support
Clare James, Corporate Director Resources (S151 Officer)
Karen McLellan, Audit and Risk Manager

No members of the public or press attended the meeting.

1 Election of Chairman

Agreed that Councillor McKay be elected as Chair of the Audit Committee for the 2022/23 municipal year.

2 Election of Vice Chairman

Agreed that Councillor Ingham be elected as Vice-Chair of the Audit Committee for the 2022/23 municipal year.

3 Declarations of interest

None.

4 Confirmation of minutes

The minutes of the meeting of the Audit Committee held on the 1 March 2022 were **approved** as a correct record.

5 Review of Effectiveness of Internal Audit

The Corporate Director Resources (S.151 Officer) submitted a report that related to the requirement for the authority to undertake an annual review of the effectiveness of the system of internal audit, demonstrating that the council had an effective internal audit function.

The Audit and Risk Manager introduced the report.

She explained to the committee that the Accounts and Audit Regulations and the Public Sector Internal Audit Standards (PSIAS) required the council to review the effectiveness of internal audit once a year, to support the annual audit opinion and as a key piece of evidence in the Annual Governance Statement. She said that to assist with the review, CIPFA had published an application note along with a checklist to assist in measuring performance of the standards.

She told members that they had paid special attention to the review this year, as the results would be independently validated as part of their peer review, taking place in February 2023.

Following the review, she confirmed that internal audit were compliant with best practice and the PSIAS, with two minor areas highlighted which required more attention. These areas were: updating the Quality Assurance Improvement Plan, and the requirement to seek an independent review of the council's management processes owing to internal audit involvement in the management of this.

She recommended to the committee that they consider the results of the review of the effectiveness of Internal Audit. The committee considered the results of the review and did not have any comments on this report.

6 Annual Internal Audit Report 2022

The Corporate Director Resources submitted a report to support members in reviewing the Internal Audit Annual Report for 2021/22 and in reviewing progress in relation to risk management activity.

The Audit and Risk Manager introduced the report.

She explained to members that the internal audit report was produced to meet requirements set out by PSIAS and to assist in meeting the Accounts and Audit Regulations 2015. The report set out the progress made and work carried out in relation to internal audit and risk management for the year 2021/22. She told members that the outcomes of this work would allow her to make an annual, overall opinion in relation to internal control, risk management and the governance processes across the council.

She explained to the committee that owing to resourcing constraints, there was some work that had not been completed, with work on the two delayed areas being added to the audit plan for 2022/23. She also explained to members that Marine Hall had been added back onto the audit plan for 2022/23 as a result of its re-opening after its closure during the pandemic.

The Chair asked about the site inspections report, which had been given a 'Fair' rating by the Auditor and what processes were in place to complete this work. The Audit and Risk Manager explained that this work would be added to their GRACE Risk Management system, with actions to be followed up by officers and the internal audit team.

She also took the committee through the other audit work undertaken by the team during 2021/22, as detailed on pages 103-110 of the agenda pack. The Audit, Risk and Performance Lead explained the item on the National Fraud Initiative, updating members that they had trained the Corporate Apprentices and the Insurance and Business Continuity Officer to assist with the ongoing investigations from the 2020/21 council tax single person discount data matching exercise.

The Head of Governance and Business Support spoke to members on information governance and her judgement as Data Protection Officer on security and use of business assets. She stated that cyber security continued to be a concern, and a risk assessment was in progress. Despite the continued concerns around cyber security and larger pieces of work continuing on the council's information asset registers, she told members she was happy that both of these issues would be addressed.

The Audit and Risk Manager spoke to the committee on updates to the council's counter fraud policies; she reminded members that they had recently completed the Ethical Governance Surveys, which test users' knowledge and understanding of the council's counter fraud policies. The actions that arose through the survey were being addressed by Democratic Services, the majority of which were completed following the launch of the councilor portal. She also updated members on recent whistleblowing calls and informed the committee that the Audit Chair had been fully briefed on these.

Councillors asked questions on the discretionary policy for residents receiving the £150 council tax energy rebate payment. The Corporate Director Resources explained that there was a requirement for the council to have a discretionary policy for residents in bands E-H which would target residents in receipt of localised council tax support and other uses were being explored.

Following discussions on the Quality Assurance Improvement Plan (QAIP), the compliance of the PSIAS, and an update to the work of the Compliance team, the Audit and Risk Manager gave her annual opinion to members. She explained to members she was required to form an opinion on the adequacy and effectiveness of the council's internal control environment. She was pleased to present a positive report to the committee in light of the effect of the pandemic and other challenges, such as the new hybrid-working

arrangements. She said that improvements to their resources would have a positive effect on the PSIAS peer review in early 2023.

Her overall opinion was that 'reasonable assurances could be given on the overall adequacy and effectiveness of the council's governance risk management, and control processes'. The full opinion can be found at pages 31-32 of the report in the agenda pack.

In addition, the Audit and Risk Manager went through the risk management progress report for members. She told members that purchasing the risk management system (GRACE) enabled the team to automate the process and remove internal audit from the management and administration of risk, allowing them to give a more independent and objective opinion on the effectiveness of these processes.

Members considered the internal audit annual report, the risk management progress report, the strategic risk register and the ICT risk register.

7 Draft Annual Governance Statement 2021-22

The Corporate Director Resources (S151 Officer) submitted a report to assist members in reviewing and formally approving the draft annual governance statement (AGS) for 2021/22, for inclusion in the Annual Statement of Accounts.

The Head of Governance and Business Support introduced the report.

She explained to members that the council was required to publish an AGS along with a Statement of Accounts. She told members that this was a draft version, and there would be a gap of time between the approval of the draft and the official sign-off. The draft AGS was therefore subject to change or amendments.

The sign-off of the AGS formed part of the committee's terms of reference, and members were asked to review the statement in relation to the evidence that had been documented against each of the principles to demonstrate the council's governance framework. She informed members that the external auditors, Deloitte, would also scrutinise the draft AGS as part of their work.

She stated that no significant governance issues were raised that required documenting separately in the Annual Governance Statement for 2021/22 and that for the first time, members were receiving details on the minor issues that had been identified when pulling together the AGS.

She told members that following this meeting, the draft AGS would be issued to the Leader of the Council and the Chief Executive and asked to sign the AGS in agreement with it and that they were aware of the governance issues within the authority. Following this, it would be submitted into the Statement of Accounts.

The Head of Governance and Business Support also asked the committee to

give delegated authority to the Section 151 Officer to make minor amendments and any changes requested by the external auditors following their review during the time between the approval of the draft AGS and the Statement of Accounts.

The committee reviewed and formally **approved** the draft AGS and recommended that the S151 Officer have delegated authority to make minor amendments and changes.

8 Statement of Accounts (pre-audit training)

The Corporate Director Resources submitted a presentation along with a recording for the committee to review prior to the meeting.

She told the committee that prior to the pandemic, she would give this presentation during the meeting, however it was considered more efficient to provide the committee with a recording, which they could review at any time before the official Statement of Accounts was presented to the committee. She hoped the accounts would come to committee in July 2022, with the expectation the recorded presentation would support members in their discussion.

The recorded presentation was linked in the agenda pack, as well as being made available on the Councillor Portal.

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

Paul Hewitson, the external auditor from Deloitte, was in attendance at the meeting and presented the committee with the progress on the 2020/21 and 2021/22 audits.

He told the committee that the 2020/21 audit had been significantly delayed and that they were hoping to undertake a national prioritisation exercise to gain more resources and expertise on this with a view to getting through their local authority backlog over the summer of 2022. He said that they hoped to be in a position to start undertaking the final work on the 2020/21 audit over the summer with the hope of finalising it in September 2022.

He told the committee that one key national issue that needed to be resolved was the treatment of the infrastructure assets which for Wyre affected our sea defences. He said that there was a blanket ban on signing accounts with significant values in infrastructure assets and that they were awaiting determination for the correct accounting treatment from CIPFA. Once this had been resolved, they were hoping to move on to finalising the work.

For the 2021/22 audit, again they were focusing on addressing their backlog of local authority work, they hoped to start completing the work towards the end of 2022. He said that the external auditors had set themselves a final completion date for all local authority audit work on 31 March 2023, but were

also hoping to go into the new year with all current and delayed audit work completed.

He apologised to the committee for the delays in completing the audits. He explained that there was a chronic shortage of experienced auditors in the local authority sector. They were currently taking steps to address this.

Committee members asked questions of the external auditor on the issue of resourcing and around realistic dates for completion.

10 Audit scale fee for 2021-22 and 2022-23

Paul Hewitson, the external auditor, spoke to the committee regarding the scale fee for the 2021/22 and 2022/23 audit work.

He said to the committee that they were required to tell the committee the scale fee at the start of each audit year. The external auditors did not set their own fee, it was set by the Public Sector Audit Appointments Ltd. (PSAA). The set fee was to be £37,470 and any variation to that fee had to be agreed by the Corporate Director Resources (S151 Officer) and signed off by the PSAA.

He did however say that the work on the infrastructure assets could vary the fee, and that the fee had been set before changes to the Value for Money requirements as part of the new Code of Audit Practice, set by the National Audit Office. He however said that the newness of the VFM requirements meant that they would still complete the work and would agree any additional fees for this following completion when they would understand any impact better.

The committee thanked Mr Hewitson for his attendance at the meeting.

11 Time and date of the next meeting

It was agreed that the next meeting of the Audit Committee would be held on Tuesday 26 July 2022 at 6pm in the Council Chamber.

The meeting started at 6.01 pm and finished at 7.08 pm.

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