

## Audit Committee Minutes

The minutes of the Audit Committee meeting of Wyre Borough Council held on Tuesday, 15 November 2022 at the Council Chamber - Civic Centre, Poulton-le-Fylde.

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**Audit Committee members present:**

Councillors McKay, Ingham, A Turner, Ibison, Leech, Longton, Minto and Moon

**Apologies for absence:**

Councillors L Walmsley and Webster

**Other councillors present:**

None.

**Failure to attend:**

Councillors E Ellison, Fairbanks, George and Stirzaker.

**Officers present:**

Joanne Billington, Head of Governance and Business Support (Data Protection Officer)

Karen McLellan, Audit and Risk Manager

Clare James, Corporate Director Resources (Section 151 Officer)

Daphne Courtenage, Assistant Democratic Services Officer

No members of the public or press attended the meeting.

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**20            Declarations of interest**

None.

**21            Confirmation of minutes**

The minutes of the meeting of the Audit Committee held on the 27 September 2022 were **confirmed** as a correct record.

**22            Internal Audit and Risk Management - Progress Report**

The Corporate Director Resources submitted a report for the committee to review the progress in relation to the 2022/23 audit plan and risk management and to consider progress against the action plan resulting from the 2021/22

Annual Governance Statement (AGS).

The Audit and Risk Manager introduced the report.

She briefly explained the audit work completed to date, which could be found on pages 14-23 of the agenda pack. She highlighted to members that there were a few pieces of work that were still in draft stage, or the field work was still in progress. She also reminded the committee that the audit opinions had changed to bring them in line with other Local Authorities.

Questions were raised around the progress of Project Neptune. She responded that the construction of the buildings had been completed in July and ownership transferred to the council. The S151 Officer added that leases with prospective tenants were in negotiation, with the final rectifications to the buildings to be completed soon and it was hoped that they would be occupied shortly.

A summary of the other work completed by internal audit, found on pages 24-26 was presented. This included summaries of the updates to information governance and the anti-fraud and corruption policies. She told members that they had not received any reports of suspected money laundering to date this year, and that there had not been any declarations from staff added to the gifts and hospitality register. She informed the committee that there had been one internal investigation, which had been raised at the last meeting, and that there was a further whistleblowing call being investigated with the update on this expected at the next committee meeting.

She finished her report by explaining the details of the risk management progress report, found on page 27, the details of the Annual Governance Statement action plan and the progress of completion of these actions, found on pages 28-38.

Councillor Moon raised a question over the ongoing Beach Management Scheme, and concerns over the build-up of silt in the estuary at Fleetwood. The Audit and Risk Manager assured the committee that she would pass on the concerns to the Head of Engineering Services and ask him to email those members directly with a response.

The committee noted the report and considered the progress of the AGS action plan.

**23**

### **Annual Review of the Financial Regulations and Financial Procedure Rules**

The Corporate Director Resources submitted a report for the committee to review the Financial Regulations and Financial procedures Rules, and to note the proposed changes summarised in paragraph 5.1 of the report, and to approve the updated Financial Regulations and Procedure Rules set out in Appendix 1 of the supplementary agenda.

The Head of Governance and Business Support introduced the report.

She explained to members that there was a need to review the financial regulations on a regular basis, to ensure that it was fit for purpose. The amendments made were mostly to reflect changes in titles to staff and to documents, and also updates to legislation. However, it also included updates to the council's procurement procedure, which included a due diligence checklist to be completed prior to the award of contracts.

Councillor Leech raised a question on the amendment at Part 4.06.05/8, to reflect that the agreed higher limits of up to £10,000 were for 'self-authorising' of goods and services. It was explained that this had been a long-standing element of the council's policy; there were a handful of users, who were not always managers or Heads of Service, who owing to their role would regularly be inputting orders over £100 but below £10,000. The Audit Team wanted to continue with this as it improves the efficiency of the system, by giving those users a higher form of authority for those purchases.

Councillor Longton raised a question about the proposal to further exempt contract procedure rules where another public authority had, in the last twelve months, procured the same or predominately similar goods, works or services. It was explained that the council wanted to have the flexibility, should they feel the need to piggyback onto the procurement exercise of another local authority.

The committee reviewed the changes and **approved** the updates rules and procedures.

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### **Annual Review of the Council's Counter Fraud Policies**

The Corporate Director Resources submitted a report to the committee, seeking approval of the Council's Counter Fraud Policies, namely:

- Anti-Fraud, Corruption and Bribery;
- Anti-Money Laundering;
- Whistleblowing; and
- Gifts and Hospitality and Registering Interests.

The Head of Governance and Business Support introduced the report. She explained to members that in the main the changes to the policies only contained minor updates and these amendments had been track changed and highlighted in the covering report. She stated that a more detailed review had been completed on the Whistleblowing Policy following the recent internal investigation and the staff Gifts and Hospitality and Registering Interests Policy had been amended to reflect that a declaration was required for gifts which accumulated to £25 or more over a twelve month period. This would also be reflected in the policy for Elected Members which would be updated by the Monitoring Officer in due course.

A question was raised by Cllr Ibison about examples of money-laundering in local authorities by organised crime and a general discussion followed using examples of known risk areas.

The committee **approved** the updated policies.

## **25 Annual Review of the Council's Information Governance Policies and Procedures**

The Corporate Director Resources submitted a report for the committee to approve of the council's information governance policies and procedures, namely:

- Data Protection Policy and Procedure;
- Records Management Policy; and
- Subject Access Request Procedure.

The Head of Governance and Business Support (Data Protection Officer) introduced the report.

She explained that as part of the committee's terms of reference, they had the authority to approve policies in relation to cyber security and compliance with the Data Protection Act and any policies under this.

She said that there were minor changes to the Data Protection Policy since its last review. However, the Records Management Policy had received a fundamental review since it was last presented to the committee in 2012. Councillor Longton raised a question around the use of external agencies, companies or individuals undertaking the processing of personal data on behalf of the council, and the potential for data breaches. He asked about how these external partners would demonstrate their compliancy with the ISO 27001 security standard and others when handling data.

It was explained that the external partners of the council were not always explicitly asked to demonstrate their compliance to this standard. However compliance to data protection legislation and the principles that fell under the ISO standard would be considered when reviewing any contracts or data sharing agreements. The Head of Governance and Business Support assured members that the council had never experienced a data breach of more than one user's data, and had only reported two to the ICO this year.

Councillor Ibison asked the Audit Team what they thought the biggest risk to the council was in relation to GDPR. The Head of Governance and Business Support responded that data retention, or the accuracy of information on the asset registers, were the greatest risk. This has already been added to the Strategic Risk Register and a large piece of work was to be completed in January 2023.

The committee **approved** the updated policies.

## **26 Annual Review of the Audit Committee's Performance**

The Corporate Director Resources submitted a report to consider CIPFA's

Self-Assessment of Good Practice contained within the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities and Police 2018' and identify the actions necessary to ensure that the Audit Committee met best practice guidance and provided value to the authority.

The Audit and Risk Manager introduced the report. She informed the committee that she had completed the self-assessment on their behalf and opened the checklist up to the floor for consideration and further discussion.

She told members that she believed there to be one area requiring improvement, which was regarding the size and membership of the committee. The current size of the committee (fourteen members), was considered by CIPFA to be too large, and a review on this was recommended for 2023 prior to the election. Consideration was also being given to appointing an independent member/s. In addition, she told members that since completing the checklist CIPFA had revised their guidance for Audit Committee members, which meant a further review of the committee's performance following the elections in May 2023 would need to be completed.

Questions were raised by Councillor Leech over the remunerations for independent members and about the reduced size of the committee. The Chair responded that the reduced size of the committee had been a point of discussion for a while, and had felt that the last meeting, which had seven members present, had worked well. Some members raised concerns over attendance with a reduced committee; however, the Corporate Director Resources responded that Full Council had approved the ability for members to 'substitute' their place for another councillor should they be unable to attend (at a meeting in October 2021).

The committee considered the report.

## **27 Appointment of the Council's External Auditors from 2023/24**

The Corporate Director Resources gave a verbal update to the committee on the appointment of the council's external auditors from 2023/24.

She reminded members that the council had opted into the Public Sector Audit Appointment (PSAA) scheme in October 2021. This scheme would independently carry out the procurement of audit services for opted-in local government bodies for the audit of the accounts from April 2023. After this procurement exercise, it had been announced that the council's auditors from the 2023/24 accounts audit would be KPMG, who had been the council's external auditors prior to Deloitte.

Members asked about changes to the audit fee. The Corporate Director Resources explained that she had mentioned this in the recorded video on the Medium Term Financial Plan, which could be found on the Councillor Portal. There would be a significant increase in the external audit fee of around 150%.

## Statement of Accounts (pre-audit) 2021/22

The Corporate Director Resources had submitted the Statement of Accounts 2021/22, for the committee to approve the council's published accounts and the final capital and revenue position for the financial year 2021/22 at the last meeting. Owing to having to self-isolate, the Corporate Director had attended virtually, and felt that it would have affected the quality of discussion on the item. It had been proposed that this item would be deferred until this meeting, with a question and answer document circulated in the meantime to give the committee the opportunity to thoroughly review the document and the accounts prior to this meeting.

The Corporate Director Resources reminded members that the draft statement of account could be subject to change, after the finalisation of the audit. She asked members, as she noted they had been concerned over the quality of their scrutiny of the accounts at the previous meeting, how they had found the exercise of scrutinising the accounts and the additional question and answer document in their own time.

Members mentioned how they had felt comfortable in reading the reports in their own time as it allowed them to absorb the information more than going through everything in one meeting; however some members highlighted the large volume of information they had been required to go through. Some thought that an in-person presentation had a greater impact.

Following discussion, the committee **approved** the published draft Statement of Accounts and the final capital and revenue position for the financial year 2021/22.

After the approval of the accounts, The Corporate Director Resources also updated the committee on where the accounting work was up to. She said that the majority of the work for the 2020/21 audit had been completed, with additional resources brought in to deal with the backlog. However, the issue of the infrastructure assets was still ongoing, and she was not optimistic that it would be solved before Christmas.

The external auditor from Deloitte, Stuart Kenny, told the committee that updates to the way auditors dealt with local authority infrastructure assets was going to the committee stage in the House of Commons in November, with the hope it would be taken back to the Commons and agreed late December. However, this was unlikely to happen and they would also have to await guidance from CIPFA which had now been delayed to January 2023. He did tell the committee that he believed that the rest of the audit work was progressing well, with the infrastructure assets being the only work not completed.

In terms of the 2021/22 audit, no work had been started on this yet. They were hoping to push this into the New Year, to complete by the end of March – particularly with the hope that they would have updated guidance on infrastructure assets by then, and go into the next financial year with a clean slate. He believed that they had the resources to make this realistic, but

responded to a question by the Chair that their resources issue came down to capacity, but this could not be solved until the issue of infrastructure assets had been dealt with.

**29 Any other business**

None.

**30 Date of next meeting**

It was **agreed** that the next meeting of the Audit Committee would be held on Tuesday 28 February 2023 at 6pm in the Council Chamber.

The meeting started at 6.01 pm and finished at 7.14 pm.

**Date of Publication: XXX**