

**MINUTES OF THE
AUDIT AND RISK COMMITTEE**
held on 21 March 2024 at 7pm

Present:

Councillor N. Walsh (Chair)

Councillors, N. Dudley, K. Franks, A. Sosin, and R. Whitehead

Also in attendance –

Independent Person –
Mr C Groves

1. Attendance and Apologies for Absence

Apologies for absence was received from Councillors N. Bugbee, D. Clark, I. Grundy J. Raven, and Independent Person, Ms Hoeckx.

2. Minutes

The minutes of the meeting on 12 December 2023 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 made.

6. External Audit of Accounts

The Committee heard details on a report containing the Government's proposals to clear the nationwide backlog of external audits. It was advised that the delays in the Council's external audits, caused by a nationwide failure by external auditors to meet their obligations. Members were advised that as per December 2023, there were 771 overdue external audits, representing in most cases 2 years of accounts remaining unaudited. The Council's audits of 2021/22 and 2022/23 accounts by BDO have not yet started. It was emphasised that this was not a reflection of the Council's financial management. From 2023/24, the Council have acquired a new auditor, Ernest Young (EY).

Members were advised that backstops would be put in place by legalisation, requiring auditors to offer an opinion by set date on accounts each year, even if the auditor had not completed the audit. There are different types of audit opinions that could arise as external auditors would be required by statute to report no matter the progress. This included disclaimed; partially disclaimed; complete; and, qualified. It was also advised that BDO would sign off the rest of their audits by September 2024 and EY was anticipated to sign off the 2023/24 accounts by the end of May 2024. Members were also advised that EY would update the Committee on the June 2024 or at the latest at the September meeting.

The Council welcomed the proposed changes and consultation from the government as there was a realistic view of the time it would take to clear the national backlog (2028). However, there were some concerns including the matter of the pension funds and the wording of the disclaimer. There were also changes to the Value for Money assessments that officers welcomed, including that it would be become a higher priority for the Auditor, and it would be more focused on the health of the Council's finances.

In response to comments and questions from members, it was advised that;

- Regarding communications about unfinished external audits, it was advised that these would be down to the messaging in the disclaimers and that it should be clear why the accounts were unfinished. However, it was emphasised that the Council would not be at fault.
- It was advised that unfortunately public sector audit had become unattractive in terms of recruitment and the costs had risen to 150%. Further recruitment in the public sector auditing was needed and it was advised that auditors would invest more on training and recruitment.
- It was advised that it was not pragmatic to assume that all audits would be completed fully for another two-three years.
- There would be no financial penalties for auditors not finishing their audits. It was however advised that the Council would not have to pay BDO other than an independently set fee for a disclaimer.
- It was admitted that the audits had become more expensive for the Council however the increased cost was a national problem.

RESOLVED that the External Audit Update be noted.

(7.06pm to 7.17pm)

7. Risk Management Report

The Committee received a risk management report which summarised the current position for the Council's Principal Risks and outlined risk management activity for 2024/25. Members were given an overview of the work in the last year including identifying and managing risks to achieve certain objectives. The Council was currently in a period of change and review including the Council's risk profile, risk appetite, and the insurance programme to ensure sufficient level of protection was in place for key risks.

The Committee was advised that the focus for the next two quarters were the principal risk review with the management team, with an emphasis on the importance of keeping it detailed, as well as to fully implement Lighthouse across the organisation. They were also informed regarding the progress against the agreed priorities on the Risk Management Strategy which included full insurance programme review; record keeping and evaluation on fine art, motor, contact works and general property; fire and security review; and motor insurers operational review and how to manage risks of the motor fleet. It was also advised that there were more risks on the register which reflect the volatility that councils were facing currently and the importance for these to be detailed. The Committee then were shown a demonstration of Lighthouse.

In response to comments and questions from members, it was advised that;

- Management Team was aware of the risks surrounding recruitment particularly regarding staff near retirement. It was advised that there was a shortage of staff in mid-senior management. The team was in liaison with all senior managers to capture expectations and then plan in terms of managing exits.
- It was advised that approximately 90% of the risks listed on the risk register were non-insurable risks. Officers also advised that they took the view on managing risks as if they were not insured as this would ensure that they were managed effectively.
- It was advised that data would be pulled straight from Lighthouse and there would be mitigation updates on the next report. Lighthouse would also allow management team to see live risks in their areas and comments from service managers. Lighthouse was also noted to be accessible everywhere.
- Regarding reviews of the risk register, officers would report to the Committee every six months and quarterly to management team.

RESOLVED that the risk management report be noted.

(7.17pm to 7.54pm)

8. Internal Audit Plan & Charter 2024

The Committee received report detailing the Internal Audit Plan and the Internal Audit Charter 2024. Members were informed that the Internal Audit Plan for 2024 would be

based on prioritisation of the audit universe using a risk-based methodology, including input from the Council's 'Our Chelmsford, Our Plan', Principal Risk Register, Fraud Risk Register, AGS Action Plan as well as discussing with the Council staff, senior management, plus consideration of local and national issues and risks. Members were also advised of the approach to produce a 6-month work plan for flexibility to respond to higher risks that might emerge during the year. Members were also advised that there would be follow up reviews to assess implementation of recommendations from the previous year and there was contingency for any ad hoc requests. Members were also informed of the Charter which is a key requirement to demonstrate compliance with Internal Audit Standards and shows the governance structure in which Internal Audit operates.

In response to a query from a Committee member, it was advised that there was nothing specific in the audit plan regarding a review of communications and how information was disclosed to the public however this would be considered for the plan in the second half of the year.

RESOLVED that the Internal Audit Plan and Charter be noted.

(7.54pm to 8.00pm)

9. Accounting Policies

The Committee received a report detailing the accounting policies which would be used in the preparation of the 2023/24 accounts. It was advised that these policies represent specific principles applied in the production of the annual Statement of Accounts. The Council was required to disclose these policies in the notes to the accounts and that they were aligned with the CIPFA Code of Practice on Local Authority which was based on private sector accounting.

Members were directed to the appendix of the report which were the accounting policies that the Council use. It advised that there were no significant changes made to the 2023/24 CIPFA Code aside from minor updates to the accounting policies and clarifications. A major update that was pointed at in the accounting policies included critical judgements in applying the accounting policies especially on high value assets as in property. It was also noted that changes to policies might be required due to the government initiatives to clear the national audit backlog however as the closing date of the consultation from the government was approaching soon, this was still uncertain.

RESOLVED that;

- The Committee considered and approved the accounting policies to be used in the preparation of the accounts and delegate to Accountancy Services Manager approval of any amendments.
- The Committee noted the proposed new national publication deadlines for the Statements of Accounts and their Audit.

(8.00pm to 8.04pm)

10. ARC Work Programme

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

RESOLVED that the ARC Work Programme to be noted and agreed.

(8.04pm to 8.05pm)

11. Urgent Business

There was no urgent business for the meeting.

Exclusion of the Public

Resolved that under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for Item 11 on the grounds that it involved the likely disclosure of exempt information falling within paragraph 7 of Part 1 of Schedule 12A to the Act.

12. Update on Audit Investigation

The Committee received an update regarding the recent confidential Audit Investigation.

RESOLVED that the report be noted.

(7.02pm to 7.06pm)

The meeting closed at 8.05 pm.

Chair