

**MINUTES OF THE
AUDIT AND RISK COMMITTEE**
held on 21 June 2023 at 7pm

Present:

Councillor N. Walsh (Chair)

Councillors N. Bugbee, D. Clark, N. Dudley, K. Franks, S. Hall, I. Grundy, B. Knight,
and A.B. Sosin

1. Attendance and Apologies for Absence

Apologies for absence were received from Councillor Raven.

2. Election of Vice-Chair

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

RESOLVED that Councillor I. Grundy be elected as Vice Chair of the Committee for 2023/24.

3. Minutes

The minutes of the meeting on 15 March 2023 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. None were made.

5. Public Questions

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

6. Announcements

No announcements were made by the Chair.

7. Risk Management Report – Spring/Summer 2023

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 for 2022/23, and outlined immediate priorities for the risk management function. The Committee was also introduced to the new Risk and Insurance Manager, Graham Page, who updated members with the report.

The Committee was informed of the key things regarding the risk management activity for 2023/24. The Principal Risks Register was to be reviewed and refreshed with the senior management team by August 2023. It was also noted the implementation of Lighthouse which would be the new risk management and compliance tool for the Council. A full insurance programme review would be taking place in preparation for the insurance tender in 2025/26. There were no changes with regards to operational risk and the Committee was informed that the Corporate Governance Group would meet in the summer and the full risk register would now be reviewed every six months. With regards to the Principal Risk Summary, it was noted that there were no changes to the scoring.

With regards to the questions and statements from the Committee, it was advised that:

- Information and data from Lighthouse was backed up in the cloud so that this would be accessible from any PC. The Committee were reassured that the Council was provided with the best possible protection from attacks. Members were informed that Lighthouse was a management tool that would allow officers to oversee compliance and actions. A demonstration of Lighthouse was offered as it would be useful for Audit & Risk Committee to see.
- Regarding the Housing Action Group formed to address housing challenges, it was advised this was an organisation response to the housing risk and a run through of the budget programmes would be needed before we would see data. The Committee were reassured that there would be an improvement to the homelessness risk score in light of this.

RESOLVED that the contents of the Risk Management Report be noted.

(7.12pm to 7.24pm)

8. Update on External Progress

The Committee received a report from the S151 officer regarding an update on the backlog of external audit assessments nationally and at the Council. A delegation was requested to the Chair to review and agree the overdue 2020/21 Value for Money Assessment once completed by the Council's external auditor.

The Committee was informed that the delays in the delivery of external audits was not just an issue at Chelmsford City Council but a problem that local authorities were experiencing nationally. BDO, the Council's auditor, has stated the delays are not due to any failing of the City Council. The committee were also informed of additional workloads generated by the late audit, an example is adjusting the 2021/22 accounts in light of the changes in pension funds which now resulted in the 2022/23 draft accounts being published late. The 2020/21 statement of accounts audit had just been completed and auditor's report would be circulated to the Committee in due course. It was noted that because the audit was completed late, it has little value and this was echoed by the members of the Committee.

The committee were informed that; there are national discussions on how to tackle this issue. The Government is actively working on finding a solution to the problems and there have been several workshops, consultations, and Parliamentary committee meetings. National initiatives were hoped to be announced soon.

The Committee was informed that unfortunately there was no certainty on when the accounts for 2021/22 or 2022/23 would be completed. However, it was reassured that a draft audited 2022/23 accounts would be presented at the September Audit & Risk Committee meeting. It was noted that the issues that have driven the delays were unfortunately something that would not be fixed easily and would require national action. The report noted that the Council is to have a new auditor Ernest Young for 2023/24.

In response to the comments and queries raised by members, it was advised that;

- There were signs that external auditors should be able to recruit more staff due the higher audit fees being charged.
- It was noted that the new audit contracts allowed for the client to not pay the auditor until certain stages were completed. It was noted that BDO have not been paid for 2021/22, as the audit has not yet started.

RESOLVED that the update be noted.

(7.24pm to 7.33pm)

9. Provisional Revenue Outturn Report for 2022/23

The Committee received a report of the Council's revenue outturn position for 2022/23, outlining the Council's expenditure and income against the approved budgets for 2022/23. The report also identified key variations that impacted the and was divided into two categories: service budgets and non-service budgets.

The Committee noted that the original budget was lower than the latest approved budget, by £2.453 million higher. This was mostly due to need to agree a higher pay settlement than expected due to rising inflation and the resulting increase in the minimum wage. The outturn also reported that at the service level, there was a total overspend against the latest approved budget of £0.865 million but an overspend against the original budget of £3.317 million. This was explained by key variations including the 2022/23 staff pay award and a £1.034 million loss of car parks income.

However, the overspend was off-set by favourable variances on non-service level budgets such as additional earnings from higher interest rates, and income from VAT Leisure refund. The Committee was also updated on the earmarked and unearmarked reserves. The general reserve was reported to be £6m million higher than projected in the 2023/24 budget report and this was mainly due to the expected Leisure VAT refund of £5.3 million from HMRC.

It was reported that further work and investigations were needed as part of the 2024/25 budget. These areas include overspends on Housing costs and business retention rates. The level of reserves was also to be addressed in the 2024/25 budget process.

RESOLVED that;

- the provisional revenue outturn report for 2022/23 and the supplementary estimates sought to approve the items for carry forward budgets in 2023/24 be noted.

(7.33pm to 7.42pm)

10. Capital Programme Update and Provisional Outturn 2022/23

The Committee considered a report which detailed the capital expenditure incurred in 2022/23 and gave an update on the approved Capital Schemes and variations in cost which had been identified at outturn and to date.

The Committee was informed that the total cost of the Capital Schemes was forecasted to be a net of £0.183 million more than the latest approved budget. They were also informed that this did not include the Chelmer Waterside development which would be reviewed at the July Council meeting. This was an underspend of £37.796 million in 2022/23 Capital Schemes, which would slip into later years budgets. A risk that was reported, was that final accounts were still being negotiated with the contractors so some reported scheme costs might not reflect the final negotiated costs.

Regarding asset replacements, the Committee was informed that there was a net increase of £0.076 million and £0.176 million was moved forward to 2023/24 or later years which was favourable to the Council. The Committee were also provided reasons for variations greater than £25k in the asset replacement programme which included increase in costs to run refuse vehicles and improvement of disability facilities.

In response to the questions and comments raised by the Committee, it was advised that;

- There was a recognition made in the budget report last year that disruptions from COVID could not fully be estimated, and there was real risk of budget variances, which explains some of the differences between the outturn and the budget.
- Regarding the Chelmer Waterside development, it was advised that this would be reviewed at July Council. The decision in July would not determine the method of development but would seek approval for the capital works to enable the site to be developed.

- Regarding the development of Beaulieu Park Station, members were reminded that this was mainly an ECC scheme.
- Regarding the mass tree planting scheme, it was advised that the financing of the cost for this scheme was from both revenue and capital and money was provided in the revenue reserves.

(Cllr Knight left at 7.57pm)

RESOLVED that the updated capital programme and provisional outturn 2022/23 be noted.

(7.42pm to 7.58pm)

11. Internal Audit Annual Report 2022/23

The Committee received a report summarising the work that Internal Audit had undertaken during the financial year 2022/23, identifying key themes, highlighting how responsive management had been in implementing recommendations, and reviewing the effectiveness of Internal Audit. The Public Sector Internal Audit Standards also requires Internal Audit to provide an annual audit opinion and report.

The report concluded that the overall audit opinion was of moderate assurance and generally, sufficient controls were in place. It was found that medium risks identified were not significant to the system of internal control, the high risks were isolated to specific systems or processes, and none had an overall classification of critical risk and/or no assurance. There were high priority findings outlined in the report which are being monitored, including a review of Temporary Accommodation which remained a Principal Risk. It was also noted that there was a level of good engagement in implementing audit recommendations.

RESOLVED that the Internal Audit Annual Report 2022/23 be noted.

(7.58pm to 8.03pm)

12. Audit & Risk Committee Annual Report 2022/23

The Committee received a report summarising the work undertaken during 2022/23 in line with CIPFA's Position Statement for Audit Committees 2022 and information had been gathered from the previous minutes and reports during 2022/23.

RESOLVED that the annual report be noted and agreed for submission to Full Council.

(8.03pm to 8.07pm)

13. Audit & Risk Committee Terms of Reference and Compliance with New CIPFA Audit Committees Position Statement

The Committee received a report outlining the revised Terms of Reference for Audit & Risk Committee and actions to be considered to ensure that the Committee was operating in line with the recently published CIPFA Audit Committees Position Statement. It was noted that the Terms of Reference were reviewed annually and should reflect the best practice framework for the Committee.

It was reported that the Committee had been adhering to the suggested additions to the Terms of Reference in practice anyway. The notable changes include considering reports on the effectiveness of financial management arrangements in compliance to the CIPFA's Financial Management Code, providing free and unfettered access to the audit committee chair for the external auditors which was noted has always been available, and for a conclusion on the compliance with the CIPFA Position Statement to be included in the annual report. The Committee was also recommended to undertake self-assessment which would be issued to members by the officers; consider training to fulfil their role in the Committee, and; consider recruitment of Co-opted Independent Members to gain independent support and expertise.

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

- Recommendations for the independent members came from Governance Committee's recruitment. It was found that some applications were suitable for the role of independent members for Audit and Risk Committee and there were concerns about missing out on the candidates.
- There was capacity within the members' allowance to allow payment for independent members.
- A specification for independent members would be drafted and the Terms of Reference for Audit and Risk Committee would be revised to include the role of independent members.
- Independent Members would be appointed for a term of four years.

RESOLVED that;

- The Committee noted and agreed the revised Terms of Reference and action plan for compliance with the updated best practice.
- The recruitment of independent members to be delegated to officers in consultation with the Chair.

(8.07pm to 8.24pm)

14. Work Programme

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

RESOLVED that the work programme to be agreed.

(8.24pm to 8.25pm)

15. Urgent Business

There was no urgent business for the meeting.

The meeting closed at 8.25pm.

Chair