

## **AUDIT SUB-COMMITTEE**

Minutes of the meeting held at 7.00 pm on 2 March 2022

### **Present:**

Councillor Neil Reddin FCCA (Chairman)

Councillors Gareth Allatt, Simon Fawthrop, Tony Owen,  
Stephen Wells and Angela Wilkins

### **Also Present:**

#### **94 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS**

Apologies were received from Councillor Robert Evans.

#### **95 DECLARATIONS OF INTEREST**

Councillor Simon Fawthrop declared an interest as an employee of British Telecom.

#### **96 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 21st OCTOBER EXCLUDING THOSE CONTAINING EXEMPT INFORMATION**

The minutes of the Audit Sub-Committee that sat on the 21st of October 2021 were agreed as a correct record.

#### **97 QUESTIONS TO THE AUDIT SUB COMMITTEE**

One written question had been received. The response to the question had been disseminated to the Committee and the questioner before the meeting.

#### **98 MATTERS ARISING--PART 1**

##### **CSD 22037**

The Chairman stated that all matters had now been resolved and closed.

It was noted that steps had been taken to strengthen and improve the effectiveness of the Risk Management Group. The structure and format of the Corporate Risk Register was being reviewed. The review was being carried out by Marsh who were independent risk consultants.

A brief conversation took place as to the rationale behind Neighbourhood Managers attending recycling depots to check paper.

**RESOLVED that the Matters Arising report be noted.**

**99 PUBLICATION OF AUDIT REPORTS**

Members noted the Internal Audit reports that had been published on the Council website.

**100 INTERNAL AUDIT PROGRESS REPORT**

**FSD22020**

The Chairman commented on section 3.18 of the report which highlighted the common theme of issues around data management and quality assurance. A discussion took place around the differences between performance management and quality assurance.

A Member commented that in the past he had invited Mal Owen to provide training to officers with respect to statistical process control—he said that this training was used for approximately six months but was unfortunately abandoned. He also mentioned training that had been provided via Cranfield Business School and a book that had been recommended that was written by Professor John Seddon who had attended the Council. The book highlighted various techniques for dealing with quality and data control and he expressed the view that these various modes of learning had not been utilised by officers.

The Chairman drew the attention of the Committee to section 3.2.10 of the report which dealt with Housing Needs, Early Intervention and Advice. He was concerned to note that the audit had made the observation that the information provided on the Council website was inadequate for people to properly navigate and find solutions to their various needs. He said that it should not be up to Internal Audit to have had to identify this, but perhaps it should have been picked up in some way by the Housing Needs Contact Centre. He wondered if the contact centre had anything in place to identify this and the Head of Audit and Assurance said that she would investigate this with the relevant Assistant Director.

A Member followed on from this by highlighting a difficult case that he had been involved with when he was contacted by a priest who was trying to assist two teenagers after the death of their mother from Covid. There was no guidance on the website for this type of situation and the Member stated that consideration should be given to providing wider information on the web site that would cover non-standard scenarios—some thinking ‘out of the box’ was required.

It was noted that many of the Personal Housing Plans of clients were of mixed quality and many had not been closed off by managers and this was a cause of concern.

Members were very concerned to learn of an incident where an email had been sent to a Housing Needs client which detailed much personal information such as the household ID, security question with answer and the password. It was very much hoped that this was an isolated case; the Head of Audit and Assurance assured that relevant guidance had now been circulated to the particular officer concerned and the whole team. The Chairman commented that it would be good if the Housing Portal Software could issue such information in a secure way. A Member wondered why a housing officer would have access to the password.

Section 3.2.11 of the report referred to a 'Housing Performance Digest' and a Member enquired if it was possible to have sight of this. The Head of Audit and Assurance said that she would find out if this was possible.

A Member commented that the audit report summaries in the IAPR noted the respective assurance levels and the various types of priority recommendations, but that it was not always immediately obvious what the various recommendations were. It was agreed that in future bullet points would be added to the report to explain what the recommendations were.

The Committee discussed the audit of the IT Asset Register. The Chairman wanted to understand who would be responsible for any losses in the event of any equipment being lost or in the event of any security breach. The Head of Audit and Assurance had sought clarification regarding this from the IT Department but this particular issue was not clearly laid out in the current contract. The Head of Audit and Assurance informed members that the IT contract was due for re-procurement later in the year and that at that time the issue would be addressed. However, at the moment there was an element of risk. It was also noted that if the IT Asset Register was not correct, then the corresponding bills with respect to IT Assets may also be incorrect. It was pointed out that all phone and data lines should be noted on the Asset Register. The contract manager should have a copy of this and using this the manager should be able to check if the bills were correct.

Members noted the internal audit with respect to Supported Living and that the Assurance rating was 'Reasonable'. The Internal Audit Team had established a failure to identify and respond to voids, which did not represent the best value for money for the Council. Some properties had been vacant for 18 months and the Chairman wondered why this was the case. The Head of Audit and Assurance said that she would look into this and report back. It had been highlighted in the report that monies had been paid with respect to one to one care for three service users who had returned to live back with their families during the pandemic. This totalled £33,165.50 and this was being clawed back from the service providers. The Head of Audit and Assurance said that she would check if these clients had now returned to their supported living accommodation.

Members noted the issues that had been highlighted in the report with respect to Covid 19 Risk Assessments. The Head of Audit and Assurance stated that the agreed actions would be followed up in due course, as it was her plan that

going forwards, Priority 2 and 3 recommendations would be followed up as well as Priority 1 recommendations.

With respect to the audit of financial assessments, in most cases this was undertaken in a satisfactory manner. The Council website contained sufficient guidance and information for the public to submit the relevant financial details. There was one case where the assessment had been outstanding for 15 months, but this was an exception rather than the rule. It was the case that an escalation process was required where there was a delay in submitting the relevant data and financial details required for an assessment to take place.

The Committee then turned its attention to the P1 follow ups. The Head of Audit and Assurance explained that in the past it had been the case that Internal Audit only followed up on priority one recommendations. It was now the case that this would change and that going forward Internal Audit would also follow up on priority two and priority three recommendations. The first follow up would take place six months after the first initial report had been published. This would require a culture change and all of the priorities would be followed up until they were closed. The Head of Audit and Assurance explained that all recommendations from the 2021/22 financial year would be followed up. The resource did not exist to go back further than this. The Committee welcomed this approach. It was noted that outstanding recommendations would be noted at meetings of the Corporate Leadership Team. Although it was the responsibility of managers to implement recommended changes—the Head of Audit and Assurance stated that she had a responsibility to ensure that the agreed actions were implemented

A discussion took place concerning the effectiveness or otherwise of using spreadsheets, as this was the way that Internal Audit currently worked. A Member commented that spreadsheets were only as effective as the quality of the person inputting the data. It was noted that the Council were hoping to investigate whether a bespoke audit system could be procured to increase efficiency and this was welcomed by Members. It was pointed out that in terms of getting recommendations implemented and embedded, previously the Audit Committee had summoned officers if necessary to attend meetings and to report on what was being done to resolve any issues that were ongoing. A Member commented that this was very effective and perhaps the Committee should go back to doing this. It had been the case that issues had been referred back to Policy, Development and Scrutiny Committees, but very often, because the agendas of the committees were substantial, they did not always have time to scrutinise everything in sufficient depth.

A Member pointed out that it was noted in the audit reports that in most cases, issues had been identified to managers for them to resolve and that managers had agreed with the recommendations and the need for them to be resolved. A Member suggested that if managers failed to deal with the recommendations as identified by Internal Audit, then this should be a matter that needed to be raised at their Annual Performance Review. It was suggested that this process be formalised and the matter raised with the Director of HR for consideration. The Chairman agreed with this.

The Chairman informed Members that he had good news in that the 'Man in the Van' (employed in case there was a failure to the power supply to the Data Centre), would soon no longer be required as the relevant works had been undertaken. There were some minor electrical faults that had been identified during the course of installing the new switch, but these should be resolved within a week and then full resilience would be achieved. The Head of Audit and Assurance stated that she would report back to the next Audit Sub Committee regarding whether the recommendation could be fully closed.

The Committee discussed the matter of FOI requests, including the large number that seemed to be received and the process concerning how these requests were processed. A Member expressed the view that LBB was getting a large number of FOI requests as officers were not forthcoming initially in responding to basic questions from the public. It was suggested that the number of FOI requests be monitored in terms of numbers and trends and that this matter should be referred to the GP&L Committee or the ER&C Committee for consideration. Another suggestion was that as this was an issue that affected the whole of the Council, then the matter should be referred to Council for consideration. The Committee decided that the issue of FOI requests be referred in the first instance to GP&L, but that it should also be looked at by the ER&C Committee. It was suggested that a report be provided to GP&L that would consider such matters as:

- The number of FOIs being received by the Council
- Why the FOIs were being received
- Cost savings to the Council of avoiding FOIs
- The Committee to formulate a new and efficient policy/methodology for dealing with FOI requests.
- Making sure that there were consistent standards in dealing with FOI requests.

A Member referred to the issue of the UPS that was supplied with respect to the Data Centre. He recalled seeing the original quote for the UPS which he thought was too expensive and did not represent VFM. The Member wanted to know if the Council had sourced three quotes and asked that this be checked.

With respect to the Supported Learning Audit, Members were concerned with the high number of voids that had been identified and the possible corresponding loss of income due to the continued need to pay service charges. It was noted that one of the reasons for the voids was due to the need for maintenance work but another reason was the fact that LBB did not have a formal process in place to identify voids.

Members discussed the purchase of the new Early Years System and it was noted that this was not an off the shelf system that was ready to use. It seemed to be the case that the Council lacked a full understanding of what was required when the system was bought. A Member commented that the Council did not have a good track record as far as the procurement of IT

solutions was concerned. Going forward it was noted that IT were keen to be involved at the start of any IT procurement rather than at a later stage.

Members discussed the Additional Restrictions Grant Scheme. There was a note on the report that highlighted how many grants had been paid, together with the amounts. A Member wanted to know how many grants had been applied for and the Head of Audit and Assurance said that she would find out.

A discussion took place regarding the External Quality Assessment of Internal Audit. Members heard that the Audit Sub-Committee had an important role in overseeing the quality and performance of Internal Audit. One of the key mechanisms that enabled the Audit Sub-Committee to discharge its oversight role, was the External Quality Assessment. Under the Public Sector Internal Audit Standards, the Internal Audit Service must undergo an External Quality Assessment every five years. The previous EQA took place in March 2016 and it was noted that this was now overdue and should be undertaken as soon as possible.

Members were briefed that the PSIAS stipulated that the EQA must be conducted by a qualified, independent assessor from outside the organisation and that it must conclude on conformance with the PSIAS and the Code of Ethics. There was flexibility around the precise form of the assessment, which could be a validated self-assessment or a full external assessment. It was important that the Audit Sub-Committee agreed the form, scope and provider of the review in order to maintain the review's independence from the Internal Audit Service. The Head of Audit and Assurance said that she was proposing that the London Audit Group be asked to come in and undertake the external quality assessment. A discussion took place regarding the nature and quality of the external quality assessment and everyone hoped it would be a useful exercise and would not just be a case of ticking boxes.

Members discussed the External Audit update. It was noted that with respect to the accounts for 2019 to 2020, further issues had been raised by the External Auditors and some of these issues were for less than £200. The Chairman remarked that he found this rather strange because of the materiality limits that had been agreed. The Head of Audit and Assurance commented that it was frustrating that last minute queries had been raised, but it was good that the review stage had now been reached and the conclusion of the report should be ready soon. A Member commented that members of the public had queried if the Crofton Lane Cycle Scheme was value for money and he felt that this would be an issue when it was reported.

It was noted that the Pensions and Investment Sub-Committee had been changed to a full committee and it was expected that the Audit Sub Committee would also change to a full committee rather than remain as a sub-committee of GP&L in the near future. A discussion took place as to where the External Auditors would report to when the Audit Sub Committee became a full committee. The Chairman thought that perhaps they would report to the newly established full Audit Committee; a Member expressed the view that they would report to GP&L, and then to Full Council.

A Member expressed concern that the External Auditors were looking at approximately 30 items that were valued between £200 and £300 and that this work was liable to generate a fee from the External Auditors of in the region of £20k. He wondered how this could be justified. He expressed further concern that the External Auditors were questioning the way that the Council's actuaries were undertaking their valuations. He commented that the valuations were undertaken by highly respected actuaries and he questioned why it was reasonable or justifiable that the external auditors should be looking into the methods that the actuaries used to determine their valuations. He expressed concern that the external auditors were creating extra work to increase their fees. The Chairman also expressed concern at this and drew comparisons to the situation that arose when Montague Evans were brought in as experts to provide property valuations and the External Auditors questioned their valuations at that time. It was noted that the Director of Finance was aware of these issues. The Committee was aware that as far as External Auditors for public sector organisations were concerned, there was not much competition and that in line with the recommendations of the Redmond Review the market for external audit should be widened.

Members noted the update regarding joint working with the DWP. The Chairman commented that this had never worked well.

**RESOLVED that:**

- 1) The Internal Audit Progress Report be noted.**
- 2) The Internal Audit reports published on the Council's website be noted.**
- 3) The proposed amendments to the Internal Audit Plan 2021-22 as set out in paragraph 3.1.4 be approved.**
- 4) The proposed approach to the External Quality Assessment set out in section 3.5 be agreed.**
- 5) The Head of Audit and Assurance would investigate if the Housing Needs, Early Intervention and Advice Contact Centre had any way of identifying shortcomings in the information provided to the public on the Council website.**
- 6) The Head of Audit and Assurance would find out if it was possible for Members to have sight of the 'Housing Performance Digest.'**
- 7) The Head of Audit and Assurance would investigate why some supported housing accommodation had been vacant for up to 18 months.**

**8) The Head of Audit and Assurance would check if clients (for whom supported living payments had previously been paid when they had returned to live with parents) had now returned to their supported living accommodation.**

**9) The Committee recommend to the Director of HR that if managers did not deal with recommendations that had been identified by the Internal Audit Team, this should be noted in the manager's Annual Performance Review.**

**10) A report be presented to the GP&L Committee that would formalise a new and more effective policy for dealing with FOI requests. After being considered by the GP&L Committee, the report should also be presented to the ER&C Committee.**

**11) The Head of Audit and Assurance would find out if three quotes had been obtained for the UPS for the Data Centre.**

**12) The Head of Audit and Assurance would find out how many grants had been paid out with respect to the Additional Restrictions Grant Scheme.**

## **101 INTERNAL AUDIT PLAN 2022-23 AND INTERNAL AUDIT CHARTER**

### **FSD 22021**

The Head of Audit and Assurance informed the Committee that she considered it would be more productive going forward to replace the Annual Internal Plan with a plan that would be drafted on a six monthly basis. She believed that this would be a more flexible and robust approach. The Head of Audit and Assurance said that she was asking the Committee to approve the IAP now for April to October. Then at the next meeting in November she would present a plan for November and the rest of the financial year.

A Member referenced section 3.5 of the report which detailed the consultees for the IAP. He noted that Councillors had not been included in the list and so he asked if the list could be expanded to include Councillors in the consultation process.

A discussion took place concerning how the 721 days for the planned internal audit work was broken down. The Head of Audit and Assurance explained that this was set out in Appendix A with the proposed reviews for the first six months and the remaining days would be carried forward to the second six monthly plan.

A Member drew attention to the wording 'ethical governance' and a discussion took place regarding the difference between ethical and non-ethical governance and whether or not the term 'ethical' was required. He said that what was required was good governance that was of a high standard.



A Member stated that he thought the plan was flexible and excellent and the Chairman agreed with that view.

It was noted that Internal Audit should not be involved in writing the Annual Governance Statement. It was the role of Internal Audit to coordinate and facilitate the process for the drafting of the AGS. However, the content of the statement would be decided by Chief Officers and senior leaders.

Before moving into the Part 2 agenda, the Chairman informed Members that a report would be presented to the GP&L Committee to propose that the Audit Sub-Committee should no longer be a sub-committee, but a full committee in its own right in a similar manner to what took place with the Pensions and Investment Sub-Committee the previous year. The new committee would be known as the 'Audit and Risk Management Committee'.

Members expressed their thanks to the Chairman—Councillor Neil Reddin for his sterling work as a member of the Committee for 15 years, with 12 years serving as Chairman. The Chairman thanked Members and said it was a team effort and that he had been supported by very capable colleagues. It was also noted that it was Councillor Allatt's last meeting on the Audit Sub Committee.

**RESOLVED that:**

- 1) The Internal Audit Plan for April-October 2022/23 be approved**
- 2) The Internal Audit Charter be approved.**

**102 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF INFORMATION ACT 2000**

**RESOLVED that the press and public be excluded during consideration of the items of business listed below as it was likely in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present, there would be disclosure to them of exempt information.**

**103 EXEMPT MINUTES OF THE MEETING HELD ON 21ST OCTOBER 2021**

The exempt minutes of the meeting held on 21<sup>st</sup> October 2021 were agreed as a correct record.

**104 MATTERS OUTSTANDING--PART 2**

The Part 2 Matters Arising report was noted.

**105 INTERNAL AUDIT FRAUD AND EXEMPT ITEMS REPORT**

*Audit Sub-Committee*  
*2 March 2022*

The report provided details of counter fraud work that was deemed to be confidential.

**RESOLVED that the Internal Audit Fraud and Exempt Items report be noted.**

The meeting ended at 9.00 pm

Chairman