

Minutes of the Meeting of the Audit Committee held on 11 July 2024 at 7.00 pm

Present: Councillors Fraser Massey (Chair), Srikanth Panjala (Vice-Chair), Mark Hurrell and Ngozi Alike

Charles Clarke - Co-opted Member
Jasdip Singh Nijjar – Co-opted Member

Apologies: Councillor Alex Anderson

In attendance:

Dawn Calvert, Chief Financial Officer S151
Daniel Fenwick, Executive Director Corporate Services/Monitoring Officer
Helen Nicol, Assistant Director Legal and Governance
Frankie Smith, Head of Financial Assurance Internal Audit Risk and Insurance
Mark Wheeler, Assistant Director – NATIS
Rhiannon Whiteley, Senior Democratic Services Officer

Before the start of the Meeting, all present were advised that the meeting may be filmed and was being recorded, with the audio recording to be made available on the Council's website.

1. Apologies

2. Minutes

The minutes of the Standards and Audit Committee meeting held on 29 February 2024 were noted by the Committee, none of the current Committee members were present at that meeting and therefore able to approve the minutes.

The minutes of the Standards and Audit Committee meeting held on 21 March 2024 were approved as a correct record.

3. Items of Urgent Business

There were no items of urgent business.

4. Declarations of Interest

No interests were declared.

5. Terms of Reference

The Senior Democratic Services Officer introduced the Committee to the Terms of Reference and explained that the document set out what the Committee were constitutionally required to do.

There were no questions or queries from members.

6. Progress Report - Statement of Accounts and Audit - 2020/21 -2023/24

The Chief Finance Officer/ S151 introduced the report.

Members queried what risk does it open the Council up to if the 2020/21 Audit receives a disclaimed opinion. The Chief Finance Officer/ S151 stated that under normal circumstances, a set of recommendations are provided to work through so you can get an assured opinion next time. As a lot of Local Authority's Audits are outstanding, the Chief Finance Officer confirmed that she did not see that it would be an issue.

The Co-opted Member Jasdip Singh queried if the sales valuations have been received as this could help the Audit receive full assurance. The Chief Finance Officer/ S151 responded that they have assigned values to assets, some of the bigger assets such as the solar farms involve a very complex valuation process. External experts could be instructed to complete this but it could cost up to £500,000. As some of the challenges are continuing the valuation would have to be prepared based on a number of assumptions, this could potentially mean spending a lot of money for not much value. Where the assets have been sold, the sale value is being used. Conversations will be taking place with the new Auditors once they have started to see if this is acceptable.

The Co-opted Member Jasdip Singh queried if there will there be additional costs in year 1 due to the handover to the new external auditors Ernst Young. The Chief Finance Officer/ S151 stated that external audit fees have increased significantly over the last few years. The challenge is to get the audit processed within the budget envelope we have.

The Co-opted Member Jasdip Singh queried how likely it is that the 2023/24 accounts will receive full assurance. The Chief Finance Officer/ S151 stated that it may not as the accounts will include the previous year, it may take a few years until full assurance is received. The Chief Finance Officer/ S151 responded that no auditor will make a clean opinion if the previous year did not receive full assurance. The new auditors may do things differently, so the Council want to start the conversation with Ernst Young now.

The Co-opted Member Jasdip Singh queried if the Finance team have sufficient resources to support the external audit. The Chief Finance Officer/ S151 confirmed that they did and it was a priority that the work is completed.

Members queried when the current external auditors BDO will finish and the new auditors start. The Chief Finance Officer/ S151 confirmed that BDO will finish at the end of September. The Council are pushing for BDO to complete

the 2020-21 set of accounts with the disclaimed opinion. Local Authority accounts are provided every year and therefore this work is a business-as-usual process for the finance team. External Auditors are however asking more and more questions.

Members queried that the external audit of the 2020-21 accounts have taken 3 years. The Chief Finance Officer/ S151 confirmed that the statements of accounts were provided by the Council on time and are provided every year, it is the external audit process which has taken this time.

Members queried if any objections to the accounts have been received. The Chief Finance Officer/ S151 confirmed one objection has been received and they are waiting to receive confirmation if it will be withdrawn. The Chief Finance Officer/ S151 was unable to provide further details at this stage but once she has received an update from BDO she will update the Committee.

RESOLVED: -

1.1 The Audit Committee noted and commented on the position for the outstanding external audits of the Council's statement of accounts covering 2020/21, 2021/22 and 2022/23.

7. 2024/25 Internal Audit Plan (July 2024 - March 2025)

The Head of Financial Assurance, Internal Audit, Risk and Insurance introduced the report to the Committee.

19.32 the Co-opted Member Charles Clarke arrived at the meeting

Members queried if the plan is approved tonight how soon will the work start. The Head of Financial Assurance, Internal Audit, Risk and Insurance confirmed that they are ready to start the Payroll and Pothole Management audits, field work can begin in August. The Head of Financial Assurance, Internal Audit, Risk and Insurance suggested that a monthly update by email could be provided to members as the next Audit Committee meeting is not until 3 October 2024.

Co-opted Member Jasdip Singh queried if the Internal Audit team will be using Mazars this year. The Head of Financial Assurance, Internal Audit, Risk and Insurance responded that at the moment that is not the plan however, it is always an option if needed. An advert will shortly be going out for a Permanent Senior Auditor and a 6-month contract for an Auditor will be advertised through the matrix agency.

Members queried the difference between the columns Assurance and Advisory. The Head of Financial Assurance, Internal Audit, Risk and Insurance stated that the Internal Audit team have two hats, they can provide assurance, do planned work, provide an opinion and an action plan.

Alternatively, they can act as a critical friend or trusted advisor on a piece of work to add value so things don't go wrong. Any actions are normally softer.

Members queried if there were any audits that they were worried may not go smoothly. The Head of Financial Assurance, Internal Audit, Risk and Insurance stated that she had concerns about the broad scope of some of the audits such as the demand for Adult Social Care and Children's Social Care in a 20-day budget. The audits need to be carefully scoped and they are also mindful of the pressure already on the service. The audits on the plan are deemed worthy in terms of risk.

Co-opted Member Charles Clarke noted that Payroll and Pothole Management are audits deferred from last year, he queried if they will be given priority. The Head of Financial Assurance, Internal Audit, Risk and Insurance reassured the Committee that they had been deferred for good reasons, the team do consider the pressures on the service when considering when to complete the audits throughout the year.

Co-opted Member Charles Clarke queried the timing of the learning points on major projects as lessons need to be learnt now. The Head of Financial Assurance, Internal Audit, Risk and Insurance stated that she will take this away and see if it can be brought forward as a priority.

Members queried if the cost of each audit could be confirmed. The Head of Financial Assurance, Internal Audit, Risk and Insurance confirmed that they do not calculate it in terms of cost but the number of days officers spend on the audit. Context is provided in the audit for example as to the cost of pothole spend.

Members queried how often the plan is reviewed. The Head of Financial Assurance, Internal Audit, Risk and Insurance stated that it is reviewed at least quarterly but they are hoping to do it monthly. The Head of Financial Assurance, Internal Audit, Risk and Insurance reassured the Committee that the team will be transparent and members will be updated as to any changes.

Co-opted Member Jasdip Singh queried how Internal Audit ensure timely responses are received. The Head of Financial Assurance, Internal Audit, Risk and Insurance stated that they do spend time with the Head of Service to agree the best time to complete the audit. The Head of Financial Assurance, Internal Audit, Risk and Insurance stated that she can escalate to the S151 officer and bring the matter back to the Audit Committee if there are obstructions. The Head of Financial Assurance, Internal Audit, Risk and Insurance highlighted that their aim is to work with Heads of Services so they can add value to their services.

RESOLVED: -

1.1 The Audit Committee considered and approved the 2024/25 Internal Audit Plan.

8. Local Code of Corporate Governance

The Assistant Director of Law and Governance introduced the report.

Members queried if there had been any update from CIPFA since 2016. The Assistant Director of Law and Governance confirmed there had not.

Members queried when the Code will go live. The Assistant Director of Law and Governance stated that this will likely be in the Autumn, they are currently checking if it needs to go to Full Council. The Executive Director of Corporate Services and Monitoring Officer added that they will be actively seeking to meet those standards and evidence of that will be provided to the Committee.

Members queried what happens if the Council falls short of the standards set in the code. The Executive Director of Corporate Services and Monitoring Officer responded that the external auditors and the Audit Committee would have oversight. There is no formal sanction but there will be areas of improvement and an action plan. The Annual Governance Statement includes any significant governance concerns and the Head of Financial Assurance, Internal Audit, Risk and Insurance will provide an opinion. As the Council is also under statutory intervention, the Annual Governance statement will be important to commissioners and affect how they view the council's governance.

RESOLVED:

- 1.1 The Audit Committee commented on, considered and agreed the draft Local Code of Governance.**
- 1.2 The Audit Committee recommended that Cabinet approve and adopt the draft Local Code of Governance.**

9. National Investigation Service - NATIS

The Assistant Director of NATIS introduced the report.

Members queried the £500,000 debt owed by Southend-On-Sea Council at point 13 on Appendix 2. The Executive Director of Corporate Services and Monitoring Officer stated that this was for work undertaken but not paid for and is subject to ongoing negotiation with Southend-On-Sea Council.

Members queried what is being done to ensure this does not happen again. The Executive Director of Corporate Services and Monitoring Officer confirmed that they now have effective governance in place and very competent officers. The Council has a massive opportunity with NATIS to spread their expertise across the country and generate income. If work is

completed for other councils, we need to ensure we generate the income back for this and that is basic financial management. It looks like that was lacking in the past and we are looking to rectify that now. A lot of counter fraud work is not being undertaken in other local authorities because this is a specialist service and expensive to obtain externally.

The Co-opted member Charles Clarke queried if NATIS sits separate from Internal Audit. The Executive Director of Corporate Services and Monitoring Officer confirmed that it is separate from Internal Audit. The Council has its own Counter Fraud Team that undertakes the counter fraud work for Thurrock. NATIS primarily is completing work under a contract with the Department for Business and Trade. There does need to be closer working between the Counter Fraud Team and NATIS. NATIS has unrivalled skills and equipment outside of the police. It has operated as a traded service and wasn't providing services for Thurrock, it has previously been acting in a bubble within the Council. NATIS employees are Council employees. NATIS needs to be integrated more into the council partly as perception but also for the benefits it can provide. There are Information Governance and Data Protection experts within NATIS, as Council employees it would be useful for them to be working within teams of the Thurrock Council on issues such as information security.

Members queried when NATIS can start working more with the Council. The Executive Director of Corporate Services and Monitoring Officer confirmed that they are in their final year of the contract with Central Government. Negotiations are going well and it is hoped Central Government will allow NATIS to work with the Council and reap benefits for the public sector community. NATIS can undertake work that the police find difficult to prioritise due to finite resources.

The Co-opted Member Jasdip Singh asked whether the Committee will receive future reports regarding the money recovered back to Thurrock. The Assistant Director of NATIS confirmed their target for this year is £7 million and £2 million has been received in the first quarter of this year. Under the Asset Recovery Incentivisation Scheme NATIS will receive a percentage of the money recovered. NATIS targets are currently set by Central Government, NATIS need to be given latitude outside of the Central Government contract. The priority after Central Government will be helping Thurrock Council.

Members queried when the Assistant Director of NATIS started in this role. The Assistant Director of NATIS confirmed that he started in 2021 as a Consultant and was previously a Police officer dealing with serious organised crime and counter terrorism. In September last year he took over as Assistant Director at NATIS. The current contract with Central Government ends in March 2025 but they are working on extending the contract. It will take time to get some of the current cases through the judicial system.

The Assistant Director of NATIS explained that the Digital Forensic Team examine digital devices such as mobile phones and laptops which are seized

and can take the data off those devices to be used as evidence to prove an offence. NATIS also has a Financial Investigations Team made up of Financial Investigators accredited by the National Crime Agency. They operate under the Proceeds of Crime Act and can apply to court to obtain financial information about those being investigated. The mothership of NATIS is based at Thurrock Council but they have staff situated across the whole of the UK.

Members queried the relationship between NATIS and Thurrock Councils Counter Fraud team. The Executive Director of Corporate Services and Monitoring Officer responded that the Counter Fraud team undertake work for the council and are largely focused on housing fraud. There is some cross working but it would be good if this could be extended as NATIS could be extremely helpful for example to trading standards work through digital forensics. Due to the contract in place with Central Government, separation has been maintained but going forward best value will be achieved by closer working.

Members queried when NATIS update reports will be provided to the Committee. The Assistant Director of NATIS confirmed that they do produce performance reports and officers will look at how they can feed that into the Council. The full Mazars report will also be coming back to Committee, it is currently with the Department for Business and Trade.

RESOLVED:

1.1 The Audit Committed noted the progress made against the recommendations of Mazars in March 2024.

10. Work Programme

Members were asked to comment on the work programme. It was noted there are a lot of reports scheduled for the October meeting, some of which may need to be deferred to January.

The Assistant Director of NATIS confirmed the Mazars report will come back to Committee. It is currently with the Department of Business and Trade. The Senior Democratic Services Officer noted that this can be added to the work programme as potential future item yet to be assigned to a meeting.

The meeting finished at 8.42 pm

Approved as a true and correct record

CHAIR

DATE

Any queries regarding these Minutes, please contact
Democratic Services at Direct.Democracy@thurrock.gov.uk