
AUDIT COMMITTEE

Monday, 18th December, 2023

Present: Councillor Peter Edwards (in the Chair), Councillors Mike Booth, Jodi Clements, Bernard Dawson MBE and Carole Haythornthwaite

Apologies Councillors Susan Hayes and Noordad Aziz

239 Apologies for Absence, Declarations of Interest, Dispensations and Substitutions

Apologies for absence were submitted for Councillors Noordad Aziz and Susan Hayes.

Councillors Mike Booth and Carole Haythornthwaite attended as substitutes.

There were no Declarations of Interest or Dispensations notified.

240 Minutes of the Last Meeting

The minutes of the last meeting of the Audit Committee held on the 18th September 2023 were submitted for approval as a correct record.

Resolved – That the minutes be received and approved as a correct record.

241 Risk Management Monitoring Report

Stuart Sambrook, Policy Manager, provided a report to inform Members of the outcome of the Strategic, Generic and Operational Risk Registers review.

By way of background, the Councils mission statement in regards to Risk Management was as follows:

The Council is committed to adopting best practices in the identification, evaluation, and cost-effective control of risks to ensure that they are eliminated or reduced to an acceptable level. It is acknowledged that some risks will always exist and will never be eliminated. All employees must understand the nature of risk and accept responsibility for risk associated with their area of work. In doing this they will receive the necessary support, assistance and commitment from Senior Management and Members.

The Council's risk management policy was a long-term commitment and was an inherent part of good management and governance practices. It stated within the Council Financial Procedure rules that the Council was responsible for approving the Council's risk management strategy. The Audit Committee was responsible for the review and monitoring of the Council's risk management arrangements.

The Council had adopted the following definition produced by the Institute of Risk Management, which stated:-

Risk Management is the identification, measurement, control and financing of risks which threaten the existence, the assets, the earnings of the personnel of an organisation, the

services it provides, the achievement of its corporate priorities or which may cause undue harm to the public.

Risk management must not be the responsibility of just a few specialists. It must be a primary management responsibility for all managers and supervisors and must be a consideration for all employees.

Risk assessments were about asking:-

- What could go wrong?
- What was the likelihood of it going wrong?
- What would be the impact should it go wrong?
- What could be done to eliminate the threat?
- What should be done to reduce the threat's likelihood or impact?

The above 5-point approach could be applied to decisions made every working day, at all levels of the Council.

The Council's risk assessment scoring was based on the guidance of the Institute of Risk Management, as follows:

- 3 being a high risk;
- 2 being a medium risk;
- 1 being a low risk.

The definitions of High, Medium and Low were also based on the guidance of the Institute of Risk Management and aided in assessing Impact and Likelihood. A table was provided in the report which included those definitions.

Members were informed that the Corporate Risk Register included 101 key strategic risks facing the Council and outlined the controls currently in place to respond to those risks. A summary of the Councils Risk Register was as follows:

- 17 Generic risks - (1 high 4 medium and 12 low)
- 65 Operational risks - (1 high 20 medium 44 low)
- 19 Strategic risks - (3 high 6 medium and 10 low)

The Committee was invited to review the amendments to the Strategic, Generic and Operational Risk Registers made since the submission of the last risk management report

Changes to the Strategic Risk Register

There had been 1 major change made to the Strategic Risk Register as summarised below and which was set out in more detail at Appendix 1 of the report.

Area	Change	Risk Rating With Controls
RISK RATING CHANGE		
Financial	That the Councils leisure service provider Leisure in Hyndburn cease trading (resulting in the Council becoming responsible for some of their liabilities, eg. Pension deficit) or that they fail to repay debts to the Council'	Changed from Low to Medium

	<u>Risk Owner</u> Executive Director Resources	
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Changes to the Generic Risk Register

There had been no changes made to the Generic Risk Register.

Changes to the Operational Risk Register

There had been 2 major changes made to the Operational Risk Register, as summarised below, and 27 minor changes, details of all changes being set out at Appendix 2 to the report.

Area	Change	Risk Rating With Controls
DELETED RISK		
Financial	Failure to complete Woodnook regeneration project leaving the council with property ownership liabilities for up to 28 empty dwellings <u>Risk Owner</u> Head of Regeneration and Housing	Low
NEW RISK		
Financial	Huncoat Garden Village - capital costs greater than identified in Business case and unable to agree terms with landowners that means land does not come forward for development as per the Masterplan. <u>Risk Owner</u> Head of Regeneration and Housing	Medium

A summary list of all risks contained in the Generic, Operational and Strategic Risk Registers was provided in the report as Appendix 3.

High Risks

The Council had one Operational risk with a rating classed as “High” – *Theft or damage to vehicles and equipment (URN: 60)*

One Generic risk had been classed as “High” - *Failure to conserve energy and reduce emissions thus resulting in excess costs to the Council and negative impact on the environment (URN:2016),*

Three Strategic risks had been classed as “High” - *Failure to deliver on Council’s Climate Declaration pledge and achieve Council operations Carbon Zero by 2030 (URN:2035); Failing to recruit and retain suitably qualified staff (URN: 2001) and The acquisition of key town centre buildings and delivery of a £22 million regeneration project within Accrington Town Centre (URN: 2036).*

Mr Sambrook reported that a fourth register, a Cyber-Security Register, was planned and should be available in time for the next meeting of the committee.

Councillor Haythornthwaite enquired about the level of assurance around the risks identified on the Operational Risk Register regarding failure to agree terms with landowners for the Huncoat Garden Village project. Martin Dyson, Executive Director – Resources, responded that negotiations were on-going with the landowners, so as to coincide with any approvals being sought from other agencies, including National Highways.

Councillor Dawson considered that the risk associated with Leisure in Hyndburn should be monitored closely. Mr Sambrook responded that this was a risk across all councils due to increased energy and staffing costs within that service area. Councillor Dawson also suggested careful monitoring of the risks association with freehold and leasehold interests in the Accrington Town Centre Levelling Up interventions. Mr Sambrook indicated that the wording of this risk was perhaps a little out of date, as this stage of the project was almost complete. Councillor Dawson noted that there had been significant progress in the Planning Department’s staffing position and its ability to meet timescales for processing applications, which had previously been noted as a risk. Mr Sambrook replied that staffing remained a risk across the Council, but some of the issues regarding Planning had been alleviated, with a new planning IT system and new staff. The risk level would be carefully monitored.

Mr Sambrook commented that a dashboard of key performance indicators would be available shortly to enable councillors to check the Council’s performance at a glance.

Councillor Clements noted that the Leisure issues were considered to be a medium risk. She considered that the current proposal to spend some £12m should elevate the risk level to high. Mr Sambrook commented that the designation for this risk was possibly on that borderline.

Resolved (1) That the content of the Risk Management Monitoring Report be noted.

(2) That the Committee recommends that officers review the risk assessment on the Strategic Risk Register for the cessation of trading of the Council’s leisure service provider, with a view to that risk potentially being re-categorised as high

242 Audit Plan Progress Report - September 2023 - November 2023

Mark Beard, Head of Audit & Investigations reported to Members the Audit Reports that had been issued during the period September 2023 – November 2023 and what the key issues were.

There was a target of 98% of the audit plan to be completed by the end of the current financial year in terms of audit days completed. As the Audit Team completed timesheets which then fed into the audit plan, it was possible to state the progress to date and the projected end of year position if that data was extrapolated. Therefore:-

Position as at end of October 2023	=	53.02% of the plan completed
Projected out-turn position for 2023/24	=	90.89% of the plan completed

Audits carried out were as follows and further information was set out in the report.

- Section 106 Agreements – Limited assurance;
- Pest Control – Substantial assurance;
- Members Allowances – Substantial assurance; and

- Health and Safety – Substantial assurance.

Mr Beard commented that limited assurance findings were rare, but this had been issued in the case of s.106 agreements. He explained the reasons for this and the considerable progress which had been made by the relevant service in the light of the audit. Councillor Dawson asked if the issue had been caused by lack of resources and enquired about the system for processing agreements which were in place. Mr Beard commented that high staff turnover had been a significant contributory factor and that some systems had also been weak, particularly the ownership of the invoicing system for s.106 agreements.

Councillor Haythornthwaite asked whether the Council had suffered any financial loss as a result of the invoicing issues. Mr Beard responded that staff were systematically reviewing the agreements in force and that any sums outstanding remained payable. The relevant information had now been recorded in one location and was easy to navigate for further processing.

Councillor Dawson asked about the situation for monies owed to other public organisations, such as to Lancashire County Council for school places. Mr Beard responded that the money was being held by the Borough Council and was available, but in some cases no invoice had yet been received from those bodies.

Councillor Haythornthwaite commented that Members were often asked about how s.106 monies had been spent. An accurate record system would help councillors to be able to explain to residents about the use that the funding had been put to.

Mr Dyson reported that he had arranged some internal meetings early in the New Year to consider further the issue of s.106 agreements. The Cabinet had also expressed an interest in this matter. The intention was that officers would report back with a clear view of the way forward.

Resolved – The report was noted for informational purposes.

243 Follow Up Reports

Mark Beard, Head of Audit & Investigation reported to Members the outcome of the routine follow-ups following the previously agreed action plans for completed audits. The follow-ups were from September 2023 - November 2023.

The follow-ups were as follows:

- Smart Working Strategy – a single action, now implemented;
- Sports Pitches – a single action, now implemented; and
- Asset Management – a single action, now implemented.

Councillor Dawson commented that the Council no longer directly operated a large number of football pitches. Mr Beard responded that there remained a number of amateur football leagues that still used council-run facilities. The action raised in the audit had been to ensure that clubs' public liability insurance details were submitted before use of the pitches. All clubs were known to hold the requisite insurance, but evidence should have been provided before use of the pitch.

Resolved – The report was noted for informational purposes.

244 External Audit Progress Report

Members considered the Audit Progress Report from Mazars (external auditors). Daniel Watson and Yogita Das-Patel were in attendance to present the report and to answer questions.

The report included information on the following:

1. Audit Progress

2021/22 Financial Statements Audit

Mazars' audit of the Authority's 2021/22 financial statements had progressed, with the planning aspects and the interim audit having been completed. The auditors had received the financial statements and supporting working papers on the 19th May 2023. After discussions with the authority's finance team, Mazars had programmed their fieldwork to commence in January 2024.

2021/22 Value for Money (VFM)

The auditors planned to complete and report their Value for Money arrangements work alongside the remaining aspects of work on the financial statements.

2022/23 Audit

The Council had yet to publish its draft accounts and annual governance statement for the financial period 2022/23. Mazars would agree a detailed timetable for their work following resolution of the outstanding areas of work on 2021/22.

2. National Publications

A list of key points and a brief summary was provided in relation to the following National Audit Office (NAO) reports:

- NAO report – Investigation into the homes for Ukraine scheme;
- NAO insight - Financial management in government: strategic planning and budgeting;
- NAO report - Approaches to achieving net zero across the UK;
- NAO Report Reforming adult social care in England;
- NAO Departmental overviews;
- NAO report: Resilience to flooding;
- NAO Departmental overview: Education; and
- NAO report: Levelling up funding to local government

Mr Dyson confirmed that the authority was still working towards publishing its draft accounts for 2022/23. The delay to the 2021/22 accounts had been due to a pensions issue, which had only recently been resolved. It was intended to publish the draft statement of accounts before Christmas 2023.

Mr Watson added that most authorities had fallen behind the deadline for publication. Only 5 authorities had been able to meet the September deadline for the 2022/23 audited accounts. The Government was developing a plan to allow local authorities and auditors to catch up a backlog of work. Auditors could issue a disclaimer of opinion if the accounts were not fully audited by the relevant deadline. The Government had now extended the deadline for publishing audited local authority accounts to 30 September for a period of 6

years, until the completion of the 27/28 accounts, whereupon the deadline would be reviewed.

Resolved – The report was noted for informational purposes.

Signed:.....

Date:

Chair of the meeting
At which the minutes were confirmed