

Minutes

Governance and Audit Committee

4th October 2023 at 7.15pm



Present

Councillors	Present	Councillors	Present
Councillor J Baugh	Yes	Councillor R Ramage	Yes
Councillor J Edwards (Vice Chairman)	Yes	Councillor R van Dulken	Yes
Councillor M Green	Yes	Councillor T Walsh	Yes
Councillor A Hooks	Yes	Councillor L Walters	Yes
Councillor L Jefferis	Yes	Councillor J Wrench (Chairman)	Yes
Councillor A Munday	No	Councillor B Wright	Yes
Councillor G Prime	Yes		

Officers in attendance:

Dominic Collins – Corporate Director (Growth)
Dan Gascoyne – Chief Executive Officer
Mark Jarvis – Financial Services Manager
Jessica Mann – Scrutiny Officer
Kim Mayo – Head of Governance
Angie Mitchell – Audit, Insurance and Fraud Manager
Phil Myers – Head of Finance

12 **DECLARATIONS OF INTEREST**

INFORMATION: There were no interests declared.

13 **MINUTES**

DECISION: The Minutes of the meeting of the Governance and Audit Committee held on 24th August 2023 were approved as a correct record and signed by the Chairman.

14 **PUBLIC QUESTION TIME**

INFORMATION: There were no questions asked, or statements made.

15 **HORIZON 120 PROJECT REVIEW PROGRESS REPORT - PUBLIC**

INFORMATION: Members were reminded that for this item there was a Confidential Appendix, and that if any Member wished to refer to the private information contained within the Confidential Appendix it would be necessary for the meeting to be moved into Private

Session for reasons set out in Paragraph 3 of Part 1 of Schedule 12(A) of the Local Government Act 1972.

DECISION: That, under Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting if it was necessary to discuss the Confidential Appendix on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12(A) of the Act.

This Item was considered entirely in the Public Session of the meeting. There was no discussion in Private Session, nor disclosure of information contained in the Confidential Appendix.

INFORMATION: D Collins, Corporate Director for Growth, was invited to provide a summary of the Elucidate report which reflected upon the progress of the Horizon 120 project, from its conception through to delivery.

Members were advised that there were three main areas that Elucidate had suggested the Council focus on as part of its subsequent action planning following the implementation of the Horizon 120 project. The three core areas were: business case development, evidencing of contractor appointments and service charging.

From the associated action plan, it was noted that some of the issues identified for reflection could be fundamental in terms of how the Council progressed with its future projects. The action plan indicated that the recommendations offered in the Elucidate report had all been taken forward and acted upon at least in part, with actions either having been completed (highlighted in green) or ongoing (highlighted in orange).

Attention was drawn to one of the key issues identified by Elucidate, which was around the creation of a new project management office (PMO), a concept used across both Local Authorities and the Private Sector as an additional support mechanism for governance processes around such projects. The Corporate Director was pleased to inform Members that the Council had already taken steps to recruit a manager for its PMO, with the successful candidate due to start over the coming months.

Members were then invited to ask any questions they had in relation to the report. Councillor T Walsh queried a reference within the [Internal Audit Annual Report for 2022/23](#) (presented at the last meeting) to business case funding for the Horizon 120 project being potentially delayed. The Corporate Director subsequently provided a written response following the meeting.

The Chairman thanked the Corporate Director for his report and the responses provided.

DECISION: The Committee noted the Elucidate report and the associated action plan.

REASON FOR DECISION: The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit activity to report functionally to the Governance and Audit Committee, being the Committee charged with independent assurance on the adequacy of the risk management framework and the associated internal control environment.

This report provides Members with an update of progress on management actions and improvements in the internal control, risk management, project management and

governance environment relating to the management of major projects, reflecting the learning arising from Elucidate's Horizon 120 project review.

16 **TO RECEIVE A SUITE OF THE COUNCIL'S KEY FINANCIAL INDICATORS AS AT 31ST AUGUST 2023**

INFORMATION: Members received a report on the Key Financial Indicators of the Council up until 31st August 2023, which included a summary of the First Quarter Financial Review and projected outturn for the 2023/24 year.

Members were advised that a positive variance of £218,000 was projected for the Council's overall budget position; however, a number of cost pressures had also been reflected within this. In terms of the proposed pay award from April, it was anticipated that this would increase costs for the year by £568,000, which was in addition to the 3% provision already made. The additional in-year cost from the pay award was expected to be covered by extra income, although this would have an ongoing negative impact on the budget for 2024/25 onwards.

In respect of other expenditure, this was forecast to be £501,000 over budget with increased housing benefit costs being incurred due to demands on the Council for homelessness and temporary accommodation and higher costs from supported housing schemes in the District. Furthermore, there had been additional operating costs related to the new facilities developed by the Council, including where service charges were currently unrecoverable due to voids and unsold land plots. In addition, the Council had incurred unbudgeted legal costs in relation to the Wethersfield asylum centre appeal of £162,000 in 2023/24.

In terms of the current capital programme, actual expenditure incurred through to the end of August was £1.4million. Capital receipts estimated to be generated in-year totalled £3.9million, which included receipts from Right-to-Buy sales and from the sale of Council owned land and grant of access rights. At the end of August, £195,000 of capital receipts had been accrued.

The Council's commercial property portfolio remained resilient with an occupation rate of 90% as at the end of August. It was noted that several units were still close to being let and there continued to be third party interest in space within Causeway House.

The total Council Tax collectable debit for the year was £115million. The collection rate as at the end of August was 49.2%, which compared to a rate of 48.2% for the same period last year. In terms of Business Rates, the collection rate as at the end of August was 47.1%, which compared to a rate of 47.9% for the same period last year.

In respect of Treasury Management, the average amount held as short-term investments was £48.1million on which £912,000 of interest had been secured, equivalent to an annualised return of 4.5%. The amount invested in pooled funds comprising equity, property, and multi-assets was £19million.

Before inviting questions from Members in respect of the report, the Chairman commended P Myers, Head of Finance and his team for maintaining a healthy financial position for the Council despite the additional cost pressures incurred as a result of the recent staff pay awards.

D Gascoyne, Chief Executive at the Council, responded to a question raised by Councillor G Prime which regarded the potential risk to the District of increased homelessness and temporary accommodation at the Wethersfield Airfield site (the site). In his response, the Chief Executive agreed that there was a potential risk of decisions being taken for asylum seekers at the site which could affect District. The risk was one identified by the Council previously and was subsequently flagged with the Home Office in the early stages of the site having been identified. The Council had since received written confirmation from the Home Secretary which stipulated that no decisions were to be taken regarding the housing needs of asylum seekers on the site. Although there remained a potential risk to the District, it was something that the Council was very aware of and continued to monitor.

DECISION: Members noted the report of the Key Financial Indicators as at 31st August 2023.

REASON FOR DECISION: To receive a suite of the Key Financial Indicators of the Council on performance in the current financial year up to 31st August 2023. To evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues as and when they may arise.

17 **PROGRESS AGAINST INTERNAL AUDIT PLAN 2023/24**

INFORMATION: Members received a report on the progress and performance against the 2023/24 Internal Audit Plan.

The following audits had been completed since the last progress report to the Committee:-

- Creditors – Full Assurance
- Cash & Bank - Full Assurance
- General ledger - Full Assurance
- Cyber Security – Significant Assurance
- Culture & Ethics / Employee Engagement – Full Assurance

It was confirmed that there had been no Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) applications in 2023/24 to the date of the meeting.

In response to a query raised by Councillor J Edwards regarding the Manor Street Project and pending response from management, A Mitchell, Audit, Insurance and Fraud Manager, agreed to follow this up outside of the meeting.

DECISION: Members noted the progress and performance against the 2023/24 Internal Audit Plan, and progress in respect of addressing actions identified in the External Quality Assessment of the Internal Audit function.

REASON FOR DECISION: The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit activity to report functionally to the Governance and Audit Committee, being the committee charged with independent assurance on the adequacy of the risk management framework and the associated internal control environment.

The 2023/24 Internal Audit Plan was approved by the Governance and Audit Committee on 24th August 2023. This report provides Members with an update on the Internal Audit

activity, and progress and performance against planned work and any other matters affecting the provision of the Internal Audit Service. This is in accordance with the Governance and Audit Committee role and the requirements of the PSIAS.

The Internal Audit function was subject to an External Quality Assessment (EQA) in February 2023, the outcome of which was detailed in a separate report to GASC. This report identifies progress in respect of addressing actions identified in this and the previous EQA.

The report also provides an update on Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) applications made by the Authority.

18 **UPDATE OF THE REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) AND INVESTIGATORY POWERS ACT 2016 POLICY (IPA)**

INFORMATION: Members received a report on the updated Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) Policy since it was last approved by the Governance and Audit Scrutiny Committee in November 2022. It was confirmed that although no major changes had been made to the Policy, it had been updated slightly to ensure that it remained in line with national legislation.

DECISION: Members approved the updated RIPA and IPA Policy.

REASON FOR DECISION: The Governance and Audit Committee functions include monitoring the Council's counter fraud and corruption arrangements: The Regulation of Investigatory Powers Act (RIPA) is the legislation governing covert surveillance techniques used in investigations, and the Investigatory Powers Act (IPA) makes provisions relating to the acquisition of communications data.

19 **STRATEGIC RISK REGISTER**

INFORMATION: Members received a report on the review and updating of the Council's Strategic Risk Register (the Register).

The Register was reviewed and updated by Senior Managers and Management Board and agreed by Cabinet on 25th September 2023 in line with the aim of formally reviewing the Register at least twice a year. The risks were reviewed in accordance with the recently updated Risk Management Policy and Strategy which the Committee considered at its last meeting ahead of it being approved by the Cabinet.

The number of strategic risks remained at eleven. Each risk had been reviewed and assessed initially at their Inherent (uncontrolled) state and then reassessed, taking into account the controls that had been put in place, giving a Residual Risk score.

DECISION: Members noted and endorsed the Strategic Risk Register.

REASON FOR DECISION: The report provided detail of the review and updating of the Council's Strategic Risk Register as agreed by the Cabinet at its meeting on 25th September 2023.

GOVERNANCE AND AUDIT COMMITTEE ANNUAL REPORT 2023

INFORMATION: The Chairman gave a report which summarised the Committee's work and achievements in 2022/23 in accordance with the Committee's Terms of Reference.

In order to provide ongoing assurance over the Council's internal controls and systems, the Committee meetings in 2022/23 were attended by the Chief Executive, Corporate Director, Head of Finance, the Audit, Insurance and Fraud Manager, the Financial Services Manager and Committee Services, as well as representatives from BDO, the Council's External Auditor. Other Council officers attend the Committee meetings as required. The Chairman expressed his thanks to those officers and Members who had supported the Committee's work by presenting, discussing, and challenging reports, and engaging in training and improvement activity to develop the knowledge and skills needed for this key area of the Council's arrangements for effective governance.

Following the success of the 'Effective Audit Committee' training session which took place in February 2022, the Chairman confirmed that future training needs and development were currently being considered, particularly for those Members who were newer to the Committee.

Reference was also made to the upcoming meeting of the Audit Committee Chairs Forum, which the Chairman confirmed he would be attending alongside other regional Audit Chairs.

Councillor R van Dulken raised a query regarding the practice of appointing 'Independent Members' to support the work of Audit Committees within the London Boroughs, and asked whether the Council could adopt a similar approach. The Chairman agreed to discuss the viability of this option with officers following the meeting.

DECISION: Members reviewed the Committee's Draft 2022/23 Annual Report to determine any changes required prior to submission to Full Council.

REASON FOR DECISION: The report provided the Committee with an opportunity to consider its work and performance in accordance with the Committee's Terms of Reference.

21 TO RECEIVE THE TREASURY MANAGEMENT MID-YEAR REPORT FOR 2023/24

INFORMATION: Members received a report on the treasury management activities of the Council for 2023/24.

In terms of the external context, it was noted that there had been a reduction in inflation rates, although these were still high. The Consumer Prices Index (CPI) rose by 6.7% in the 12 months to August 2023, down from 6.8% in July, and down from a recent peak of 11.1% in October 2022.

In respect of the local context, as of 31st August 2023, the Authority had cash and investments which totalled £70.2million and borrowing of £5.6million. There had been no new borrowing for the first half of the year, with the borrowing currently held being in relation to the previous year's debit financing for the Lender Option Borrower Options loans (LOBOs).

The Authority held significant invested funds, representing income received in advance of expenditure plus balances and reserves held. For the period April to August, the Authority's investment balances averaged £67.1million with the highest amount held being £75.2million.

It was reported that investment balances typically peaked around September before reducing over the remaining six-months. Balances had been elevated again during the first half of the year from the front loading of income from Council Tax and Business Rates, along with the current profiled expenditure on the capital programme. As such, cash balances were expected to reduce significantly from their current level.

The amount of interest earned on short-term investments in the period April to August was £912,000, which represented an annualised return of 4.54%. Given current market sentiment in the past twelve months, the valuation of these funds as at the end of August had an overall valuation of £20.5million, which represented an unrealised gain of £1.5million.

In respect of other developments, it was reported that the Department for Levelling Up, Housing and Communities (DLUHC) had published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override was extended for two years until 31st March 2025, but no other changes had been made. In addition, DLUHC had also launched a consultation on the capital risk metrics which the Department would be required to monitor for English Local Authorities once the Levelling Up and Regeneration Bill became law.

DECISION: Members considered the Treasury Management Mid-Year Report for 2023/24 and recommended its submission to Full Council.

REASON FOR DECISION: The Council has adopted the Code of Practice for Treasury Management in Public Services published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which requires the Council to receive at least one mid-year report on its treasury management activities.

The mid-year report is to be considered by the Governance and Audit Committee prior to its submission to Full Council.

22 **MONITORING OFFICER'S ANNUAL REPORT**

INFORMATION: Members received a report on the functions of the standards framework and governance across the Council during the period 2021/22 and 2022/23. It was highlighted that the report had been circulated separately to Members following the publication of the main agenda for the meeting.

In accordance with the Council's Constitution, the Monitoring Officer was required to monitor and review the operation of the Constitution and ensure that the aims and principles within it were given full effect. Accordingly, a substantive review of the Council's Constitution and associated governance arrangements was carried out during 2020/21 before being approved by Council at its Annual General Meeting in April 2021.

At the Council's Annual General Meeting (AGM) on 25th April 2022, Council agreed changes to the public question time provisions to assist with the administration of this aspect of the meeting, thereby ensuring that public questions were considered by the

appropriate forum. Further, minor changes regarding cross referencing and changes to officer roles and responsibilities were also implemented. At the last AGM on 25th May 2023, the Constitution was further updated to reflect changes made to the Committee structure, to re-order the items of business on the agenda for Council, bring in a new process for enabling Members to ask questions of the Leader and Cabinet Members during Council meetings and revised the allocation of Motions. A further review of the Constitution was expected to take place later in the year.

In respect of complaints regarding Member conduct, the Monitoring Officer was the Proper Officer for receiving these, including the conduct of District, Parish and Town Councillors. The assessment of complaints was treated confidentially by the Monitoring Officer until the completion of any investigation, where one was instigated. During the year 2021/22 and 2022/23, a number of formal complaints were received which had been considered and determined. Key concerns raised through the Code of Conduct complaint process related to the behaviours of individual Councillors during meetings or through social media postings. It was added that the Council had worked hard to resolve all historical Code of Conduct Complaints, and that there were now only two outstanding which were under consideration by the Council's Independent Person.

It was noted that following the National Model Code of Conduct being approved by the Local Government Association (LGA) in December 2020, small revisions were made by the LGA in January 2021 and May 2021. Further to this, detailed guidance was issued by the LGA in October 2021. The Council was now in the process of reviewing the Model Code of Conduct and would be bringing forward details for the Committee's consideration in due course. The Committee would also be required to determine whether the Council should adopt the new Model Code of Conduct, with or without local modification, and would likely be required to make its recommendation to Council in 2023/24.

In response to a query raised by Councillor T Walsh regarding complaints, K Mayo, Monitoring Officer, advised that due to their confidential nature, it was difficult to provide statistical information relating to complaints. However, the Monitoring Officer agreed to see what details, if any, could be provided within the next report to Committee in 2024.

DECISION: Members noted the content of the Annual Report.

REASON FOR DECISION: The report provided an update on the functioning of the Member Standards Framework for the period 2021/2022 and 2022/23.

The Monitoring Officer is the proper officer for the discharge of the Council's functions under the Localism Act 2011, including the assessment and determination of complaints made in respect of the Code of Conduct (the Code) as adopted by Braintree District Council (the Council) and the Code of Conducts as adopted by all Parish and Town Councils in the Braintree District.

23 **URGENT BUSINESS**

INFORMATION: The Chairman invited Councillor J Edwards, Vice-Chairman of the Governance and Audit Committee, to speak. Councillor Edwards requested an update from officers in relation to the 'roadmap' that was promised from BDO LLP (BDO), the Council's external auditors, for the completion of the outstanding audit accounts. The request had previously been raised at the meeting of the Committee on 20th April 2023.

The Head of Finance informed Members that the 'roadmap' had not yet been received from BDO. An update from BDO was recently provided which confirmed that the 2019/20 and 2020/21 audit of accounts were still awaiting completion, and that they would be in contact with the Council over the following weeks regarding timescales for resuming work on these earlier audits. It was reported that BDO had also indicated they were prioritising other work areas, such as NHS accounts, which they had communicated to stakeholders such as the Department for Levelling Up, Housing and Communities.

Members were reminded of the governmental and stakeholder process that was underway around the proposed reset of the local audit system. The work was being led by the National Audit Office and involved the contribution of audit firms. The proposals emerging from this piece of work were still to be finalised, and an update would be provided as soon as possible.

It was added that BDO had issued a formal letter to the Council which stated that they would be unable to meet with the deadline of 30th September 2023 for the completion of the 2022/23 audit accounts. The letter itself was received via e-mail on 30th September 2023 by the Head of Finance and Chairman of the Governance and Audit Committee.

Councillor J Edwards wished to express his frustration over the lack of progress made by BDO in respect of the outstanding audit but commended the officers in the Council's Internal Audit and Finance teams for their hard work and diligence, despite the challenges experienced.

By way of an update, the Chairman advised Members that himself, the Vice-Chairman, Head of Finance and Audit, Insurance and Fraud Manager had recently met with a representative from KPMG, the Council's newly appointed external auditors. The Chairman was pleased to report that the meeting had been a positive and reassuring one, and a KPMG representative had been invited to the next meeting of the Governance and Audit Committee on 17th January 2024.

In response to the questions subsequently raised by Members, the following information was provided:

- In light of the issues experienced with firms such as BDO, the Public Sector Audit Appointments (PSAA) was known to have strengthened its processes around contractual management. This included requiring auditors to complete four key stages of work which would determine the timing of when they could claim their fees.
- In respect of the 2020/21 to 2022/23 audits, other local authorities had experienced similar issues to the Council with the delayed completion of the audit. In terms of the 2019/20 accounts, this was a particular frustration of the Council, but it was known that other local authorities had incomplete accounts which dated back to as early as 2015/16.
- For the appointment of KPMG, the Council opted into the PSAA national scheme for the procurement of auditors. Although the market for the sourcing of auditors was currently limited, the issue was being addressed as part of the PSAA's longer-term work to help generate a larger market.
- There had been a 151% uplift on audit fees charged to local authorities under the new PSAA contracts from 2023/24, which had been incorporated into the Council's budget.

In future, where audits or aspects of the work were unable to be completed by external auditors, the fees charged to local authorities would be adjusted accordingly.

- BDO's contract with the Council only extended to the 2022/23 audit accounts. It was added that BDO were not in the market for the new five-year PSAA contracts from 2023/24.

In his closing remarks, the Chairman echoed the frustration and disappointment of both the Committee and officers with the current position with BDO, and it was recognised that the challenges experienced were not a reflection on the Council or officers. The Chairman would continue to work closely with the Head of Finance and Cabinet Member for Resources and Performance regarding the outstanding audits, and a reply would be sent to BDO in response to their letter dated 30th September 2023. A copy of the Chairman's response to BDO would be circulated to Committee Members for their reference.

The meeting commenced at 7.15pm and closed at 9.28pm.

Councillor J Wrench
(Chairman)