

Minutes of the meeting of the **AUDIT COMMITTEE** held on **THURSDAY 22**  
**SEPTEMBER 2022**

**Present:** Councillor Montague (Chair)  
Councillors Hall, Hosking, Lancaster, Mahendran, B Nolan and Wardle and Independent Members Mr I Farookhi, Mr D Fletcher and Ms M Lynch.

**Officers:** S Richardson (Director of Finance and Resources), J Fru (Chief Internal Auditor), D Lamb (Audit and Risk Manager), P Brown (Head of Democratic Services) and A Melia (Senior Governance Officer).

**Apologies:** Councillors Cannon, Hussain, and N Khan (substituted by Mahendran).

**AC15 INTRODUCTION AND WELCOME**

The Chair welcomed members of the public and councillors, advising that the meeting was being held at the Civic Offices and a recording of the meeting would be available to view post-meeting via YouTube.

**AC16 MINUTES OF PREVIOUS MEETINGS**

Councillor Hosking highlighted a resolution to the Minutes of the previous meeting on 27 July 2022, AC12 – Statement of Accounts, and queried if the Director of Finance and Resources had consulted with the Chair and Vice Chairs regarding an appropriate way to update the Committee in respect of the contingent liability arising from the adverse possession claim at Calverton Lane.

The Chair advised that a meeting had been arranged for Monday 18 October 2022.

RESOLVED -

That the minutes of the meetings of the Audit Committee held on 27 July 2022 be agreed as an accurate record and signed by the Chair as such.

**AC17 DECLARATIONS OF INTEREST**

There were no declarations of interest.

**AC18 PUBLIC PARTICIPATION**

No questions or requests to speak on agenda items from the public had been received.

## AC19

### EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT

The Chief Internal Auditor introduced the report and advised that the report was completed by Dr R Milford, who had attended the last meeting of the Committee in July. Further key points included:

- The overall conclusion was generally positive in terms of evidence of adherence to principles. The Audit service was compliant for 49 out of the 56 standards, partially compliant for six, and non-compliant for one.
- The report concluded that the competency in relation to continued professional development required improvement, and the service should utilise professional bodies and other Councils to acquire additional expertise.
- Some senior members of staff within the Internal Audit service required additional training and qualifications and the report also highlighted resourcing issues within the service.
- Action plans had been put in place to address areas of weakness identified within the report.

The Committee commented and heard:

- Councillor Lancaster queried if the service was operating with unqualified members of staff in senior roles.
- In response, it was advised that some senior members of Internal Audit were qualified by experience, but that professional bodies had since revised the criteria for qualification.
- Discussions with relevant parties were ongoing to address the issues of qualification and the accompanying employment implications.
- The Chief Internal Auditor advised that there were a significant number of operational audits, with no audit for climate change strategies given as an example. Discussions on this and similar topics were ongoing with senior management.
- Councillor Wardle queried the continuing professional development within the Audit service, to which the Committee heard that greater emphasis was being placed in order to raise awareness of its importance.

- An action plan was in place to appraise staff and there was an expectation for individuals to highlight training requirements.
- D Fletcher expressed concern that the report considered the Audit service to be less proactive and future-focussed than expected.
- The Chief Internal Audit advised that assistance in these areas had been sought from the Corporate Leadership Team.
- The Director of Finance and Resources noted a wide range of different professional background across the Council. Within the Finance team, there were around sixteen qualified accountants, all of which undertake continuing professional development as required by their professional body.
- Senior staff within the Council sat on a number of national bodies in order to achieve a high-level strategic focus.
- It was advised that the Internal Audit Service had recently moved from a Shared Service model to a Lead Authority model.
- I Farookhi questioned if the Internal Audit Service had networked with other Local Authorities as a cost-effective means of avoiding an inward focus.
- In response to a question from M Lynch, the Committee heard that around a third of the Internal Audit Service were qualified auditors, and around half of the senior staff.
- It was noted that some areas were in need of enhancing, but there was not a dearth of audit knowledge within the team.
- The Director of Finance and Resources and the Chief Internal Auditors reiterated the value of continuing professional development for staff.

RESOLVED –

1. That the Committee noted the conclusion of the Independent External Quality Assessment of the Internal Audit Service that for the most part, the Service complies with the Public Sector Internal Audit Standards.
2. That the Committee agreed the improvement actions proposed to enhance the Internal Audit Service.

## AC20

### INTERNAL AUDIT UPDATE

The Chief Internal Auditor introduced the report and advised that this report was split into two main areas - the standard report and a counter-fraud update. Further key points included:

- A key theme throughout the report was resourcing, with fraud resource reduced following the move from a shared service to a lead authority model.
- Offers had been made to two candidates in order to address these issues, but these candidates had opted to pursue other opportunities elsewhere.
- There were no issues with the tracking and implementation of recommendations.
- The Committee heard that management teams had worked to highlight issues in good time.
- With regards to counter-fraud, data-collection for 2022/23 had recently commenced, following the conclusion of the 2021/22 figures.
- Elections and Council Tax data was collated every year, and credit checks for families that had no recourse to public funds were conducted in collaboration with Adult Social Care.

Members of the Committee commented and heard:

- There had been some difficulty in recruiting staff to address the lack of fraud officers. This work was being covered by the Audit team, and the possibility of collaborative work with other Local Authorities was being considered.
- In response to questions, the Chief Internal Auditor advised that further investigation was needed to determine why assurance levels had dropped from a rating of good to satisfactory.
- The agency market had not been actively utilised due to cost issues, the suitability of interim candidates and a focus on permanent recruitment.

- I Farookhi advised that fraud was not an issue of great concern in his experience of a member of the Audit Committee. Rather, the central issue was internal controls in key areas.

RESOLVED –

1. That the Committee noted the progress and commented on the Audit work completed against the 2022/23 Plan.
2. That the Committee commented on and noted the counter fraud activities and outcomes.
3. That the Committee noted and commented on the detailed action tracker.

## **AC21**

### **PSAA SCALE FEE CONSULTATION**

The Director of Finance and Resources introduced the item and advised the Committee that the PSAA Scale Fee Consultation was a standard annual consultation, with the approach taken broadly similar to previous years. Further key points included:

- Audit fees had recently increased, having been slashed approximately 40% previously.
- The scale fee for a Local Authority was £135,000 in the financial year 2019/20. The costs for Audit moving forward would likely be in the region of £250,000, which reflected the additional complexity and workload.
- It was advised that these Audit fees were not atypical, with around 2500 hours required for a Local Authority the size of Milton Keynes.
- An External Audit appointment was due to be made in the near future.

The Committee made comment and heard:

- In responses to questions, it was advised that the Council's audit partner, Neil Harris, had recently departed Ernst & Young after a number of years.
- M Lynch queried the non-substantive audit undertaken by the audit partner, and questioned if the scale fee was fixed, given the 85% overrun in fees.
- The Director of Finance and Resources advised that MKCC was a medium-risk authority, with the increase in scale fee resulting from assessment of ongoing work.

- The PSAA were the final determinant of fees.
- The market for Local Authority audit was small, although Councils were permitted to make their own appointments. The increase in fees was partly attributed to this shallow marketplace.
- Councillor Wardle queried if this fee was entirely fixed, or whether it could be subject to additional fees.
- In response, the Committee heard that the fee could be discussed at the end of the audit process. The Council was able to challenge any additional fees and reduced the figure by 50% at the conclusion of the last audit process.

RESOLVED -

That the Committee noted the report and the expected increase in the Scale Fees of the 2022/23 Audit of the Statement of Accounts.

**AC22**

**LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN ANNUAL REPORT**

Prior to the report being introduced, Councillor Hosking, seconded by Councillor Lancaster, proposed deferring the item until the Committee's next meeting. Councillor Hosking commented that the cover report was insufficient evidence on which to consider the item in the absence of the full LGSCO Annual Report.

With the agreement of the Committee, the proposal was carried.

RESOLVED -

That the Committee deferred consideration of the Local Government and Social Care Ombudsman (LGSCO) Annual Report until the Committee's next scheduled meeting in November 2022.

**AC23**

**STATEMENT OF ACCOUNTS**

The Chief Financial Officer introduced the item and advised that the 2020/21 Statement of Accounts had been received, and it had previously been anticipated that a resolution would be reached. However, a more complicated issue relating to infrastructure assets had arisen since the Committee were last updated. Further points included:

- At the time of the meeting, there was no solution available to the outstanding issue and therefore no accompanying timescale.
- As mentioned in the previous item, Neil Harris, the Council's Audit Partner, would be leaving for a new role imminently.

- The 2020/21 Statement of Accounts had been signed-off, but had a qualification based on a limitation of scope. These was an issue facing approximately half of the Local Authorities nationally which had yet to sign off their accounts.
- The Draft 2021/22 Statement of Accounts were published in July. This draft would also be affected by the issues and would be reviewed once more when a resolution to the issue was found.
- The deadline for the sign-off of the 2021/22 Statement of Accounts was scheduled for 31 November 2022, with the Audit process commencing on 24 October 2022. As such, this timescale was unachievable.
- In the previous financial year, only 9% of Local Authorities had met the proposed deadline.

The Committee made comment and heard:

- There were no negative consequences of failing to adhere to the deadlines for the Statement of Accounts. However, the Council was required to publish the reasons for failing to meet these deadlines.
- D Fletcher questioned if the late publication would incur a negative credit score for the Council. It was advised that the Local Authority had no credit rating as money was borrowed directly from Central Government.
- Councillor Hosking asked for clarity on which other Councils had taken a similar approach.
- The Committee heard that Luton Borough Council were likely to follow the same approach as they were in the same position with the Audit Partner, which would also likely be seen in a number of other authorities.
- M Lynch questioned the potential benefit to delaying commencement of the process in order to allow a resolution to be found on the infrastructure assets.

- The Director of Finance and Resources advised of the possibility for a Statutory Override, which would allow Councils to declare compliance with all areas except for the infrastructure assets.
- Following this potential statutory override, a permanent resolution would still be required. If the audit were delayed to allow a full resolution, this may jeopardise the timeline for future audits.
- The Director of Finance and Resources agreed to address the Committee in respect of the overrun of fees if this issue was still outstanding.
- The Committee heard that accounts would continue to be audited in Spring 2023 for the financial year 2021/22, based on the current timeline.

RESOLVED –

That the Committee noted the verbal update from the Director of Finance and Resources on the 2020/21 and 2021/22 Statement of Accounts.

THE CHAIR CLOSED THE MEETING AT 20:22.