

# **MINUTES OF AUDIT AND STANDARDS COMMITTEE**

Tuesday, 30 January 2024  
(7:00 - 9:30 pm)

**Present:** Cllr Princess Bright (Chair), Cllr Mohammed Khan (Deputy Chair), Cllr Dorothy Akwaboah, Cllr Josie Channer, Cllr Rocky Gill, Cllr Margaret Mullane, Cllr Adegboyega Oluwole and Cllr Muazzam Sandhu.

**Independent Member:** Stephen Warren

**Also Present:** Cllr Musaf Yusuf and Cllr Phil Waker

## **17. Declarations of Interest**

The Independent Member (IM) disclosed that he was engaged as a consultant to Public Sector Audit Appointments (PSAA), which appoints the Council's external auditor.

The declaration was duly **noted**.

## **18. Minutes - To confirm as correct the minutes of the meetings held on 4 October 2023**

The minutes of the meeting held on 4 October 2023 were confirmed as correct subject to comments/clarifications from BDO, summarised as follows:

### **Minute 12. Update on External Audit Delivery**

A fuller explanation as to the reasons why BDO could not progress the audit despite the Council publishing draft Accounts in August 2020.

BDO stated the reasons were as a result of waiting for additional working papers from officers in connection with previous years' accounts which compounded the on-going delays with the 2019/20 Accounts. BDO felt this was a more accurate description of the delay rather than what was recorded in the minute, namely "a significant number of outstanding issues as detailed in the report".

The minute then stated alongside these issues there were resourcing challenges for BDO (unplanned long-term sickness and staff resignations).

BDO clarified that at the time of presenting progress report to Members in March and August 2022 there were no such resourcing challenges, and that in their view the delays were for the reasons set out in above, and which BDO recognised had later been compounded by the technical matter that had been identified for all local authorities regarding the treatment of material infrastructure assets on the balance sheet.

### **Minute 13. 2018/19 Audit Fees**

Deletion of the word "imposition" in the second paragraph in respect of the former Section 151 Officer agreement to the payment of an additional fee.

## **19. Complaints Update**

The Committee received the Monitoring Officer's update on one existing complaint against Members of the Council concerning a possible breach of the Code of Conduct. It was noted that the former MO had considered the circumstances of the matter and that subject to recommendations made, it should not proceed further.

The MO confirmed that as she was still reviewing the former MO's decision, she was not yet able to formally conclude the matter for which she apologised. Consequently, she was not in a position at this time to respond to questions raised by the Committee.

Following questions on the processes around addressing complaints generally, and in that respect the role and involvement of the Committee, the MO undertook to provide the Committee with information about the Complaints Procedure.

## **20. Council's Accounts Audit Update - 2019/20 - 2022/23**

Following the publication of the agenda the Chair referenced that in respect to the update on the latest position regarding the audits of the Council's Accounts 2019/20 to 2022/23 a supplementary report from the Section 151 Officer had been issued. This provided commentary on the outgoing external Auditor (BDO) report (similarly presented as a supplementary) which included a proposed revised timeline of 31 August 2024 to complete their audit of the Council's Statement of Accounts for 2019/20, together with the breakdown of the 2018/19 additional fees, something requested at the last meeting (minute 13 refers)

The Section 151 Officer introduced her report by stating that since the last meeting it had been announced that subject to consultation, the intention was to extend the original backstop date of 31 December 2023 to 30 September 2024 for the completion of outstanding audits of accounts up to and including 2022/23. Consequently, the revised date put forward by BDO would leave the Council in an incredibly difficult position in the context of the now likely backstop date.

The Section 151 Officer reflected on the recent progress of the audit since her appointment. In May 2023 when the Committee received an update about the 2019/20 audit, the aim at that time was to achieve the sign off of the accounts by January 2024. The previous and current Chief Accountant had and continued to work closely with BDO to provide responses to queries in a timely fashion, in addition to which the Section 151 Officer had been communicating regularly with her contacts at BDO with the intention of getting sign-off by today's meeting. She stated that even with the change of assigned audit partner at BDO, following the recent announcement of the impending retirement of the current partner, and the resultant handover period, she could not understand why the accounts would not now be completed and signed off until August 2024, given that the audit had now been substantially completed.

Steve Blandon the new audit partner explained that the supplementary update report set out the revised timeline for when he expected to be able to issue an opinion on the 2019/20 financial statement of the Council's Accounts. In order to provide an informed opinion, there was a reasonable amount of review work to be done on the completed audit work to date, alongside which he had a number of

other audit responsibilities which impacted on his time, and therefore he felt the August deadline was a reasonable target date to set, based on the various steps set out in the report, which included a number of key milestones and dates.

Whilst appreciating Members' disappointment at this news Mr Blandon felt it was important to provide what he felt was a realistic assessment of the timeline to complete the audit. He reiterated the Section 151 Officer's comments about the proposed backstop, which was subject to a National Audit Office consultation, albeit it was likely to be agreed as 30 September 2024. Whilst he was confident of being able to conclude the audit by that date, he did not think the later audits (2020/21 and 2021/22) would be completed within that timeframe ahead of the formal handover to Grant Thornton, the newly appointed external auditors. He also made reference to the 2018/19 fee update which was included as part of the supplementary report, and which set out the final fee information, as had been requested from the last meeting.

The Committee repeated their disappointment that despite assurances and revised deadlines given at previous meetings, accounts going back approaching five years remained to be agreed and signed off. It left Members with little confidence that the August 2024 deadline set by BDO would be met, a situation described as both unprofessional and unacceptable. To that end Members were keen to hear BDO's views as to the remarks of the Section 151 Officer as set out in her report, that given the number of revised deadlines, one possible conclusion that might be drawn was that the change of new partner was now being used as a tactical measure to avoid BDO ever giving a formal audit opinion on the 2019/20 Accounts.

What was also concerning to Members were the comments of the Council's Legal Services on the report namely that the significant risk factors in the delay in completing local audits, multiplied by the fact that with the Council's audits now several years behind the statutory target, meant that any signifiers of concern highlighted in the earlier audits would be submerged until the audits were completed.

Reference was made in BDO's presentation on timelines as to workload implications of other audits. Understandably for the Committee its only focus was completing the Council's audits. As regards the timetable presented by BDO, the programme of works planned for this month (January 2024) did not suggest there was any sense of urgency to move the audit forward. In general, looking at the planned timetable for this year left the Committee with little confidence that the 2019/20 audit would be completed by 31 August, as well as the probability that the subsequent years accounts would not be audited by the expected 30 September backstop date.

As for the information provided showing the final 2018/19 audit fee of £456,091 including the breakdown of the additional fee totalling £262,313, this would need to be discussed as would any additional audit fees for the subsequent 2019/20 Accounts, yet to be reported on by BDO. These were likely to be challenged by the Committee, subject to receiving an inhouse legal opinion as the powers for Members to do so. In that respect the Chair was requested to forward the previous correspondence from the former Section 151 Officer confirming to BDO his agreement to the 2018/19 additional audit fee.

Responding to Members questions Lisa Blake, BDO's outgoing audit partner provided the background and context to the lateness of the audit. She confirmed that at the time BDO had been fully committed and resourced to deliver the audit within the agreed timescales. However, from their position they maintained the view that the main reason for the delay in progressing the audit was because until July 2023 BDO had not received the infrastructure working papers, nor had the Council responded to a number of queries.

She stated that whilst it was not a blame game, she wanted to put on record that BDO had not in any way sought to deliberately hold up the progress of the audit as in her view there would be absolutely no benefit to either themselves or the Council in doing so. Once deadlines were missed and notwithstanding the flexibility of BDO to reschedule dates when things did not go to plan, as had been the case with this audit, it had become increasingly difficult to keep it on track especially when the programming of other audits significantly tested BDO's available resources.

Whilst these matters had already previously been reported on by BDO to Members, what had since changed was that her recent decision to retire meant it was not possible to sign off on the audit of the 2019/20 accounts by this meeting. That responsibility now fell to Steve Bandon, who, as already indicated, required an extension of time to review matters, and be satisfied that the audit work completed was good enough for him to approve the accounts, seeing the Regulator placed a personal and professional responsibility on assigned audit partners signing off financial statements etc, and would, if deemed necessary, impose fines and sanctions on both the individual and BDO if audits were proved not to be conducted properly. That said the new date set by BDO was in her opinion a realistic and achievable time frame to agree and sign off the 2019/20 Accounts.

The Section 151 Officer concurred with some of the reasons which had contributed to the past delays. However, she did challenge BDO's remarks about the delays caused by the Council not providing the required information on the infrastructure assets in a timely fashion. Her understanding was that the reason for information not being returned until July 2023 was that as the infrastructure assets formed a new requirement from January 2023 as part of the overall audit, the Council had been awaiting support and guidance from BDO to what represented a highly technical and complex aspect of the overall accounts, and which proved not as forthcoming as she had hoped for. The S151 Officer said that aside from the infrastructure asset matter, delays from December 2023 had predominantly been because of BDO not progressing the audit mainly due to long term staff absence and rescheduling.

Lisa Blake stated it was her who had been on long-term sick, and she had returned in February 2023.

Recognising there would be a short delay caused by the handover from the outgoing auditor partner to the new partner, originally estimated to be up to one month, the Section 151 Officer's main issue now centred on the reasons why BDO did not now feel able to conclude the audit of the 2019/20 Accounts until August, seeing that all the additional queries and information requested had by and large now been provided by the Council.

Following a question from the Committee regarding the potential for a qualified opinion and the effect on the final audit fees, BDO explained that should that situation arise, given the amount of work involved to provide a qualified opinion, all of which had to be sanctioned by PSAA, it was unlikely to have any bearing on the totality of the additional audit fee.

Whilst the focus of attention had rightly been on BDO's responsibilities to meet their deadlines, Members were keen to hear and receive reassurances from the Section 151 Officer as to the lessons learnt, given the comments made at by BDO both at this and previous meetings that officers had contributed to the delay in progressing the audit by not responding to requests for information in a timely fashion. The expectation of Members was that internal processes and controls should be in place, as the timely completion of auditing the Council's Accounts would be regarded as a significant risk management factor. As for the costs it was seemingly obvious that given the increasing complexity of the Council's Accounts that the fee would increase, and that consequently the Council should have budgeted for the increase.

The Section 151 Officer reiterated that all the information as to the infrastructure assets was submitted to BDO last July. The reference as to what was returned before December was as a result of more recent requests. She was more than happy to provide the chronology of the requests made by BDO from August onwards and the responses made by officers. The subsequent delay with the audit until the Autumn was because officers were waiting for BDO to recommence the audit due to factors outside the control of the Council, as was reported to the last meeting in October 2023.

To reassure Members moving forward the new Chief Accountant was addressing historical issues stretching back many years, and for which updated processes and controls were now in place. Whilst the Council was now by comparison in a stronger position, the Section 151 Officer recognised that until the audit of the accounts was agreed the Council would not have the external assurances that were needed, albeit she was confident that the Council was moving in the right direction.

Despite the reassurances the Committee continued to have concerns about BDO and the delays in their progression of the audit, and to that end given the serious implications for the Council, Members needed to have in writing an audit trail/chronological order of events otherwise they would be failing in their responsibilities to scrutinise the process. BDO stated that they had already presented various reports to the Committee at previous meetings outlining the progress or lack of with the audit.

The Chair echoed Members concerns and frustrations. Personally, she had little faith that the 2019/20 Statement of Accounts would be agreed and signed off by the date set by BDO of 31 August 2024, and therefore she sought assurances from BDO, including more detailed milestones to keep the audit on track. Steve Blandon reiterated the new audit timetable set out in the supplementary report which he felt went as far and detailed as could be expected at this time. Despite Members concerns and misgivings Mr Blandon felt that given all the circumstances, in his professional opinion, he had provided the best indication as to when the audit would be completed. He was however more than willing to

regularly meet with the Chair and the Section 151 Officer to keep them updated with progress.

Members asked that bearing in mind BDO had already stated that B&D was not their only client, and that sometimes other work took priority, should the 31 August deadline not be met, would the Council be in its rights to deduct an element from the additional fee that BDO were seeking. BDO responded that would not be possible as the scale of fees was set by the Public Sector Audit Appointments Ltd (PSAA) who also agreed any additional fees based on work completed.

The Chair made the point that in due course when BDO presented their additional fee for the 2019/20 audit of accounts, she would insist that in the first instance it was presented to the Committee. In that respect Members enquired as to whether it would be possible to insist that it include performance related clauses should target dates not be met. The Independent Member (IM) to the Committee stated that this would not be possible as the Council was not party to the fee contract which was between the PSAA and the audit contractor.

BDO agreed to let the Section 151 Officer have urgently an analysis of the costs of the additional fee that they would be claiming for the extra work associated with the 2019/20 audit. For the record BDO stated that any additional work forming part of the handover arrangements between the incoming and outgoing audit partner would be regarded as duplication and would not be passed on to the Council.

Clarification was sought as to what was the current position regarding the complaint submitted by the Section 151 Officer to BDO in September 2023 stating that the delay in completing the 2019/20 Statement of Accounts was unacceptable. BDO did subsequently meet with the Section 151 Officer to discuss the complaint, whereupon they set out the timelines to receive responses to queries, with a view to agreeing revised dates to complete the audit. That said they agreed to provide the Council with a formal written response to the complaint, a necessary step before the Council considered whether it intended to escalate the complaint to the PSAA.

On a separate matter the IM asked that if as a result of the new audit partner review of the accounts there were further queries that could not be resolved in a timely fashion, what was their Plan B. BDO responded that their intention would be to resolve such issues within the revised timeframe presented which allowed for the Council to respond to queries and provide additional information by the end of April. This would then allow for a further period into the Summer to reconsider any new information that may arise with a view to finalising the audit by the August 2024 deadline.

The Section 151 Officer stated for the record that as of now there were no further material issues or information awaited from officers, all related enquiries having been responded to quickly, and that this was now solely about the new partner review, which she believed a further six months period to conclude was excessive. The majority of the audit had been completed, reviewed and signed off with some residual matters relating to PPE and infrastructure assets still to be confirmed. That said if the audit was not agreed and signed off by the backstop date then the Council would not get a full audit opinion but would still be obliged to pay both the

standard scale fee as well as the additional fees, which given the length of time since the fees were agreed by the former Section 151 Officer, could not realistically be challenged.

BDO responded similarly for the record they had in recent months highlighted a number of material errors in the accounts, the most recent being in December 2023, and which had contributed to the delays that were now being reported on and discussed. They also clarified that when the Section 151 Officer stated that the majority of the audit has been completed, this needed to be put in context, as concluding the accounts did not mean the work was complete, as the accounts would then be subject to a series of technical and other reviews, and these had to be completed before they were ready for agreement and sign-off. The Section 151 Officer repeated her comments that as far as she was aware there was nothing materially outstanding at this point in time.

The view expressed by the Section 151 Officer that in all likelihood the 2018/19 additional fee was likely beyond challenge, was very disappointing. Members, felt from the tone of the debate that there appeared very little legally that the Committee could do to challenge BDO in relation to both the fees and timescales for the delivery of the audit. That being the case the expectation was that moving forward the Section 151 Officer should seek to robustly challenge the amount of any additional fees for extra work conducted by BDO on the 2019/20 Accounts, given how long they had been working on them and having regard to the state of the Council's finances at this time. There was also an issue about the reputation of the Council should the accounts get caught up with the backstop arrangements.

The IM explained that the impact of the backstop arrangements was that by a given date auditors should in normal circumstances reach a conclusion and certificate completion of audits, and where that was not possible, then to issue an unqualified opinion and/or a disclaimer. That clearly has potential reputation implications for both audit firms and local authorities. However, given the scale of the backlog nationally and how many councils would likely be affected, this should mitigate the reputational damage to Barking & Dagenham.

On the matter of challenging fees, the IM supported the view that given the former Section 151 Officer had sanctioned the additional fee payment for the 2018/19 audit, it would be very unlikely that PSAA would permit any further representation. As regards the additional fee for the 2019/20 audit, as yet to be provided by BDO, the IM commented that should Members decide to contest, it could conceivably carry more weight if the Committee made representations, albeit the authority to approve the additional fee ultimately sat with the Section 151 Officer.

Turning to the complaints process, whilst noting that BDO had already given a commitment to respond in writing to the Section 151 Officer's complaint about the delay in completing the 2019/20 Statement of Accounts, and depending on the response, the Committee might choose to formally put in writing its own concerns. The IM also noted that one of the report recommendations included a proposal to make representations to the responsible Minister to seek their intervention. Whilst he was not aware of any powers that the Minister had to intervene in a determination by PSAA, as a matter of principle there would be nothing to stop the Council writing to raise awareness of the challenges of delivery in the wider audit market.

There then followed a series of discussions back and forth between Members and BDO without resolution around timelines, including shortening the 31 August deadline, the allocation of additional audit resources, the BDO complaints process, details of which will be shared with the Section 151 Officer, the chronology around the 2019/20 audit, the details of which would be confirmed between officers and BDO, and subsequently shared with Members, and the formal process to challenge the additional audit fee for the 2019/20 audit.

The Chair asked BDO to present a report to the March 2024 meeting setting out in detail the broad timelines presented this evening, including what had been achieved by that date, together with any further queries that might be raised and the officer responses to such. This was requested essentially to provide Members with an understanding and a level of confidence that the deadline of 31 August 2024 to complete the audit and, which BDO was not prepared to bring forward, was on track. She also expected a written response from BDO within the next two weeks to the complaint submitted by the Section 151 Officer last September, who in turn for the record would copy her complaint to Members. Finally progress and further actions required would be discussed offline between the Chair and Section 151 Officer to which Members would be kept informed.

The Committee **noted** the report.

## **21. LBBD Audit Progress report and Sector Update and Preventing Failures in Local Government- Grant Thornton, External Auditors**

Paul Dossett, Grant Thornton (GT) was welcomed to his first meeting. At the outset he made an observation as to whether spending a significant amount of the Committee's time on the previous item was warranted given the equal importance of other matters on tonight's agenda.

He presented a progress report set out as Appendix A detailing delivering GT's responsibilities as the Council's newly appointed external auditors. The report summarised the emerging national audit issues and relevant developments to this Authority, specifically the significant delays in the completion of audit work and the issuing of audit opinions across the local government sector, with only 12% of Councils having received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November last year.

GT have been working constructively with DLUHC, the FRC and audit firms to identify ways of rectifying the challenges that have been faced by the sector with a recognition of the difficulties the backlogs have caused local authorities across the Country. DLUHC were to launch a consultation regarding proposed backstop arrangements, in which they were expected to announce that all audit years from 31 March 2023 and earlier would be 'backstopped' if not completed by 30 September 2024, the result of which could see many disclaimers or qualified audit opinions.

Paul Dossett said that as yet the scope of work required for 2023/24 audits was yet to be determined. However, GT would, subject to no subsequent changes to backstop arrangements, intend to commence planning work this quarter with final accounts work from July 2024 onwards, with the aim of achieving sign-off by 31 December 2024. He stressed that GT would adopt a robust approach should

Councils fail to produce accounts/respond to questions on time, insofar they would not hesitate to issue auditor recommendations to those Councils. He gave assurances that they would be proactive in reporting issues to Members for action. Given the level of resources available to GT he was confident that the majority of audits for 2023/24 would be signed off by the end of December 2024.

In respect to fees Paul Dossett stated that the Public Sector Audit Appointments (PSAA) approach now was that in addition to setting the scale of fees they would set key milestones that auditors would be expected to meet such as producing audit plans, audit findings, opinions and annual reports, all of which would need to be completed before payments were made. Consequently, it would be in the interest of GT to complete such tasks in a timely manner.

He then briefly referred to the second report on the agenda set out as Appendix B entitled 'Preventing Failure in Local Government' which GT produced in December following wide consultation with both Section 151 Officers and Monitoring Officers. He suggested that the paper be used by Members as a tool setting out the governance risks to sound financial management and the lessons learnt from past failures.

In response to the presentation, and specifically to Paul Dossett's observation about the use of the Committee's time, reference was made to the Audit progress report and specifically the section which talked about a report from the Commons' Public Accounts Committee ... 'Timelines of Local Authority Reporting' which highlighted the concerns of the Committee about the implications of audit delays, citing the cases of Woking Borough Council and Thurrock, both of which had years of unaudited accounts and had declared themselves effectively bankrupt due to excessive levels of debt. This alone justified the importance of the Committee spending a significant amount of time discussing the Council Accounts 2019/20 – 2022/23 update item.

Turning to the audit fees, mention was made of the significant increase (240%) of the PSAA scale of fees for 2023/24 and whether the Section 151 Officer made provision for the increase in the budgets. It was confirmed that the budget had been increased to match the new scale fee.

The 'Preventing Failure in Local Government' report was seen as a very helpful report for the Committee. It was felt there would be merit in presenting it to all Members as it reinforced their role to ask the difficult questions, there being a responsibility on Members to do so. Another important point made in the report concerned the possible reform of the Public Loan Works Board to stop credit lines to ensure in future that local authorities did not borrow beyond their means.

Paul Dossett stated that local authority debt levels and borrowing was one area of focus for auditing, as were things such as the structural and governance arrangements of arm's length companies set up by many local authorities. He confirmed that GT would focus its audit work on achieving value for money for this and other Councils, as well as financial statements audits, as quite often it was this area that unlocks many of the other financial issues being experienced in the local government sector today.

As GT would be assuming the external audit role for the Council in April and were aiming to present a final sign-off report in December, and given the local authority's audit experiences of the past few years, would it be feasible to submit an interim report in Summer 2024?

GT planned to present their indicative audit plan to the next meeting in March, alongside which they would be engaging with officers about doing some interim testing work. There was then the process of preparing the 2023/24 accounts and how this played into the ongoing work by BDO and the views of officers' as to the available time and capacity they have to complete the previous years' outstanding accounts, as well as preparing the 2023/24 accounts and respond to GT regarding any subsequent queries.

From GT perspective they would be happy to provide regular progress reports to the Committee. Assuming all sets of previous accounts were signed off by the backstop deadline of 30 September, GT's broader commitment was to complete their work at the very latest by March 2025, subject to all the said factors.

The Chair enquired that given the cross over between BDO finishing their role and GT assuming responsibility as the Council's external auditors, would there be a process of engagement between both? Paul Dossett confirmed that there was a requirement as the newly appointed auditor to review the outgoing auditor's prior year's file. However, given the current circumstances, and depending on future decisions around the backstop and other matters, GT would as a minimum review the files relating to the last set of fully audited accounts, which as things stood was timetabled for 31 August 2024.

The Committee accordingly **noted** the report.

## **22. Corporate Risk Management Report**

The Head of Assurance (HOA) updated the Committee. He led a Risk Management Workshop with the Council's Executive Team in September 2022 which undertook a fundamental review of the strategic corporate risks that might prevent the Council from achieving its objectives. This latest review had been undertaken personally by Strategic Directors as per the Risk Management Strategy, with some changes to risk wording having been identified and changes to the level of risk reported.

There were 13 Corporate Risks at the last review, however one risk, the Significant Incident in the Community (CR.3), was removed as the organisation and its partners were now better equipped to deal with any incident than previously.

In response to the presentation the Committee were curious as to why CR.1 (Population Change) and CR.4 (Safeguarding Failures) were both seen as low risk, especially in respect to CR.1 seeing the significant growth of the local population, which whilst bringing benefits, also presented significant and complex challenges for the Borough. What were the plans to mitigate and manage the associated risks in these areas?

The HOA responded by explaining the structure to support each of the risks. This involved assessing the gross risk of the likelihood of something occurring should there be no controls in place. Moving towards net risk this related to those faced today with controls in place followed by further actions, deadlines and responsible officers that sit between where we are now and the target risk. Applying this matrix, CR.1 was deemed now to be a lower risk due to the existing controls that were in place and the way the risk was managed, whilst in respect to CR.4, this remained a high (red) target risk as the impact of something going wrong was very significant, and could never be reduced, albeit there were actions in place to reduce the likelihood of an incident occurring.

Additionally, the last time the report was presented to the Committee, members raised concerns about climate change, and why was it not highlighted as a specific risk, to which at that time the response was that it was incorporated as part of CR.3 (Significant Incident in the Community). Consequently, what was the thinking now behind removing the risk, especially given the recent experiences in the Borough with house fires due to the extreme hot weather conditions as well as flooding and the 'mini tornado' in Barking.

The HOA explained that whilst climate change was not on the Corporate Register it did appear on registers that sat behind the Corporate Register, and therefore formed a key element, feeding into a number of the main risks.

It was noted that both financial risks CR.2 (Financial Management) and CR.7 (Economic Downturn) were rated as high (red) risk. The fact that the Council's Accounts had not been audited since 2019/20 would only increase the financial risks to the Council. Consequently, with the changing economic environment including increases in interest rates and the downturn in the construction activity etc, why was CR.6 (Investment Decisions) not rated as high risk, given questions as to the viability of some of the Council's current schemes such as the Gascoigne 3B regeneration scheme?

The Section 151 Officer stated that the key thing was that these risks were now being actively reviewed and monitored regularly. In respect of CR.6 whilst the impact was high, it was classified as medium rating (amber) because although officers were aware that there were problems with a number of current schemes, they were nevertheless being managed through ongoing mitigation measures, and consequently remained viable. On the specific question as to the viability of the Gascoigne 3B regeneration scheme, the Section 151 Officer agreed to come back with a separate report.

The Chair observed that where in those cases the net risks exceeded the target risks, it would be helpful for the Committee to receive an update report at the next meeting on what actions were being taken to mitigate against such risks, which the HOA agreed to provide.

The Committee **noted** the update.

### **23. Internal Annual Audit Report 2022/23**

The HOA updated the Committee on the Internal Audit work carried out for the year ended 31 March 2023. The Public Sector Internal Audit Standards required

the HOA to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Internal Audit as approved by this Committee included 46 audits consisting of 35 risk and compliance audits, 10 school audits and a project to follow-up prior year work in schools. Except for one school audit, all planned audits were delivered.

Based on the work undertaken the HOA was satisfied that sufficient internal audit work had been undertaken allowing for him to provide an opinion that was 'generally satisfactory' with some improvements required in a number of areas detailed in the report, for the purpose of enhancing the adequacy and effectiveness of the framework of governance, risk management and control.

The results of the audit work programme were set out in the report, listing the each of the audits against a scale of opinion ranging from substantial, reasonable, limited and/or no assurance, together with the various categories of associated risk ranging from critical to low depending on the impact of the associated risk attached to each recommendation. In total nine limited assurances were issued, the details of each being summarised in the report.

Of the nine limited assurance audits three were highlighted, from which the following questions arose:

**Leasehold Management Service Charges** – It was noted that there was no key performance indicator for the recovery of debts relating to Section 20 major works. Moreover, more concerning was that management were still trying to unravel what can and cannot be charged for some of the Section 20 works, meaning that no collections had been recovered for the period of the audit. In that respect the Committee asked as to whether there was statutory guidance as to what a Council could legitimately charge for?

The HOA responded that the expectation was that work re charging for Section 20 works should have been done by now. The original implementation date for reporting on this matter was September 2023, and in accordance with the agreed process, when a manager missed a deadline, it was then escalated to the Council's Assurance Board where managers were required to both explain why they had not implemented the IA recommendation and to identify a revised date to do so.

**Right To Buy Valuation** – The statement as to the lack of detail being provided by surveyors valuing properties and a subsequent uncertainty about the accuracy of valuations leading to a possible loss to the Housing Revenue Account was concerning.

The documentation provided by the previous surveyor contractor was not sufficiently accurate to give a view on the valuation of properties. However since, and as a result of the audit, there was now a different contractor undertaking the work to a set specification under the management of My Place, who now had greater confidence that the sale of properties was based on correct valuations.

**Be First / Reside / BD Energy / My Place Relationships** – With regard to the current restructuring of My Place it was noted that agreed actions arising from the audit had been implemented, with a further review earmarked for 2024/25. However, the handover process between Be First and Reside was managed by a small number of people who relied heavily on the strength of the relationships between them, and this did suggest to the Committee a weakness in the approach of relying on key staff, and that perhaps the review should be undertaken sooner than that proposed in the report?

Given the meeting had already been extended by the maximum 30 minutes allowed for in line with the requirements of the Constitution, the HOA agreed to provide a written response to the question.

**24. Internal Audit Q3 (2023/24) Update**

Given the 9.30pm cut off time it was not possible to consider the Internal Audit Q3 update. Given the report was for noting it was agreed that should members have any questions or comments on the report these should be emailed to the Head of Assurance for a response.

**25. Counter Fraud Q3 (2023/24) Update**

Given the 9.30pm cut off time it was not possible to consider the Counter Fraud Q3 update. Given the report was for noting it was agreed that should members have any questions or comments on the report these should be emailed to the Head of Assurance for a response.

**26. Work Programme 2023/24**

The Work Programme for the remaining part of the 2023/24 Municipal Year was noted.