



Audit and Governance Committee

Date: Monday, 12 June 2023
Time: 10.00 am
Venue: Council Chamber, County Hall, Dorchester, DT1 1XJ

Members (Quorum 3)

Richard Biggs (Chairman), Susan Cocking (Vice-Chairman), Rod Adkins, Belinda Bawden, Simon Christopher, Barry Goringe, David Gray, Robin Legg, Bill Trite and Pauline Batstone

Chief Executive: Matt Prosser, County Hall, Dorchester, Dorset DT1 1XJ

For more information about this agenda please contact Democratic Services
Meeting Contact john.miles@dorsetcouncil.gov.uk

Members of the public are welcome to attend this meeting, apart from any items listed in the exempt part of this agenda.

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Agenda

Item	Pages
1. APOLOGIES	
To receive any apologies for absence.	
2. MINUTES	5 - 10
To confirm the minutes of the meeting held on 17 th April 2023.	
3. DECLARATIONS OF INTEREST	
To disclose any pecuniary, other registrable or non-registrable interest as set out in the adopted Code of Conduct. In making their decision councillors are asked to state the agenda item, the nature of the interest and any action they propose to take as part of their declaration.	
If required, further advice should be sought from the Monitoring Officer in advance of the meeting.	

4. PUBLIC PARTICIPATION

To receive questions or statements on the business of the committee from town and parish councils and members of the public.

When submitting a question please indicate who the question is for and include your name, address and contact details. Questions and statements received in line with the council's rules for public participation will be published as a supplement to the agenda.

The deadline for submission of the full text of a question or statement is 8.30am on 7th June 2023.

5. MINUTES OF THE AUDIT & GOVERNANCE SUB-COMMITTEE

To note the minutes of the Audit & Governance Hearing Sub-committee (if any meetings have been held).

6. UPDATE ON PREPARATION OF THE STATEMENT OF ACCOUNTS FOR 2022/23 AND THE EXTERNAL AUDIT FOR 2020/21 AND 2021/22 STATEMENT OF ACCOUNTS 11 - 16

To receive a report by Heather Lappin, Head of Strategic Finance.

7. ANNUAL FRAUD AND WHISTLEBLOWING REPORT 17 - 22

To receive a report by Marc Eyre, Service Manager for Assurance.

8. UPDATE FROM THE MONITORING OFFICER ON THE CONSTITUTION

To receive a verbal update from Jonathan Mair, Director of Legal and Democratic.

9. WORK PROGRAMME 23 - 24

To consider the work programme for the Committee.

10. URGENT ITEMS

To consider any items of business which the Chairman has had prior notification and considers to be urgent pursuant to section 100B (4) b) of the Local Government Act 1972. The reason for the urgency shall be recorded in the minutes.

11. EXEMPT BUSINESS

To move the exclusion of the press and the public for the following item in view of the likely disclosure of exempt information within the meaning of paragraph 3 of schedule 12 A to the Local Government Act 1972 (as amended).

The public and the press will be asked to leave the meeting whilst the item of business is considered.

There is no exempt business.

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AUDIT AND GOVERNANCE COMMITTEE

MINUTES OF MEETING HELD ON MONDAY 17 APRIL 2023

Present: Cllrs Richard Biggs (Chairman), Susan Cocking (Vice-Chairman), Rod Adkins, Bill Pipe, Belinda Bawden, Simon Christopher, Robin Legg, David Gray

Also Present: Cllrs Spencer Flower and Ray Bryan

Present remotely: Cllrs Jill Haynes

Apologies: Cllrs Barry Goringe and Bill Trite

Also present remotely: Ian Howse

Officers present (for all or part of the meeting):

John Miles (Democratic Services Officer Apprentice), Aidan Dunn (Executive Director - Corporate Development), Jonathan Mair (Director of Legal and Democratic and Monitoring Officer), Marc Eyre (Service Manager for Assurance), Sean Cremer (Corporate Director for Finance and Commercial), David Bonner (Service Manager for Business Intelligence and Performance), Sally White (Assistant Director SWAP), Susan Dallison (Democratic Services Team Leader), David Trotter (Risk and Resilience Officer), Angela Hooper (Principal Auditor SWAP) and Steven Ford (Corporate Director for Climate and Ecological Sustainability).

Officers present remotely (for all or part of the meeting):

James Ailward (Head of ICT Operations), Antony Littlechild (Sustainability Team Manager) and Carl Warom (Climate and Ecological Policy and Project Manager)

114. **Apologies**

Apologies for absence were received from Cllrs Bill Trite and Barry Goringe.

115. **Minutes**

The minutes of the meeting held on 27th February 2023 were confirmed and signed.

116. **Declarations of Interest**

No declarations of disclosable pecuniary interests were made at the meeting.

117. **Public Participation**

There was no public participation.

118. **Minutes of the Audit & Governance Sub-committee**

There were no Sub-committee minutes to note.

119. Report of Internal Audit Activity Progress Report 2022/23 - March 2023

The Assistant Director for SWAP introduced the update report for the 2022-23 financial year.

The committee was informed that a new significant risk had been identified by SWAP for the response to the climate emergency. During the later part of 2022, an audit was conducted regarding the council's response to the climate emergency.

The portfolio holder for Highways, Travel and Environment recognised the need for internal and external audit. He added that since May 2019, a very small team of officers had worked very hard to bring about the results to date and he did not feel that the SWAP report was a reflection on this work.

The Corporate Director for Climate Transformation, Innovation, Digital and the Environment presented the progress that had ensued over previous months since the audit work had been concluded and next steps.

The presentation highlighted Dorset Council Priorities, the complexity of climate change, work undertaken, timeline and targets, operational programme, and facilitation programme.

The committee was made aware that during and after the audit, there were significant changes to how the climate program was being governed. A fully operational group that oversees the key emitting areas of the councils' operations, a CLT sub-group, a refresh strategy and a decision wheel was implemented.

Comments were made by members regarding the SWAP report being a snapshot at that time, the importance of the work of SWAP auditors, other large organisations such as, Dorset County Hospital and their climate impact, the changing of E,P,C rules and the many listed buildings and exemptions, the concern for people who lived in rural areas and charging points and the encouragement of town and parish councils to declare a climate emergency.

The Portfolio Holder for Highways, Travel and Environment requested a better understanding on the terminology of risk for the update report.

The Assistant Director for SWAP responded that the risk identified was the potential risk of the council failing to reach its net zero targets by 2040. At the time of the audit there were some concerns with data and the ability to fully calculate the impact.

Decision

The report was noted.

120. Internal Audit Annual Opinion Report 2022-23.

The Principal Auditor SWAP Internal Audit Services introduced the Annual Opinion Report.

The committee was informed that there was reasonable assurance with the internal opinion. There were 8 limited assurance opinions issued with two of these identified as a significant risk. The process of continuous follow up continued to substantially reduce the number of outstanding overdue actions. The number of overdue priority 1 and 2 actions had reduced significantly by 34 in June 2022 to 10.

The annual report supported the council's annual governance statement, and the balance of the 2022-23 audit work had been considered and SWAP were able to offer reasonable assurance opinion in respect of the areas reviewed during the year. Most were well controlled and risks generally well managed. Some areas required the introduction of improvement internal controls, the robust approach to implementation of audit actions was part of the consideration in forming this opinion.

Councillors asked questions regarding audit resources and the 25% reduction in audit days.

The Director for Legal and Democratic informed that when Dorset Council came together 4 years ago, the audit hours were brought together from all the predecessor councils and gradually these audit hours had been reduced to an acceptable level for an authority of this size.

The Assistant Director for SWAP responded that as the reduction was over a number of years it had allowed SWAP to plan resources and the audit budget and number of days was sufficient to provide an annual opinion to the council.

Decision

The report was noted.

121. Approach to Internal Audit Planning 2023/24

The Principal Auditor SWAP Internal Audit Services introduced the report for Internal Audit Planning.

The committee was informed that SWAP was continuing with a flexible approach to audit planning, which was driven by a continuous risk assessment approach that was regularly reviewed with each directorate and based on the council's strategic and service risk registers and performance management data.

The institute of internal auditors planned to change SWAPs professional framework and the internal audit charter which guided internal audit work and was based around this framework.

The charter would be reviewed as further information became available and, in the meantime, would continue to operate in the framework of the existing charter.

Decision

The report was noted.

122. Annual Governance Statement- 2022/23

The Service Manager for Assurance introduced the draft annual governance statement.

The Draft Statutory Annual Governance Statement was presented to the committee to give members the opportunity to comment on the contents before it was signed off by the Leader of Council and Chief Executive and accompanied the annual accounts.

Seven improvements were identified regarding on-going work to improve subject access request compliance, further embedding of risk management, rolling out the data strategy, embedding data protection impact assessments, developing information asset register, roll out with the climate risk assessment and improving compliance rates on mandatory training.

No comments were received so the statement would go forward for signing.

Decision

The report was noted.

123. Approach to Value for Money

The Service Manager Business Intelligence & Performance Transformation, Innovation, Digital & Environment introduced a report on an update on the progress of understanding and evolving approach for value and money.

The report outlined the progress and the details of a pilot study conducted with IT colleagues and the need to start evolving the performance framework to include greater levels of benchmarking and to build in value for money assessment into the existing framework.

The Head of ICT Operations informed the committee that the society of innovation, technology and modernisation provided a benchmarking service and most of the input for the value for money assessment, which looked at the 2021-22 financial year and a customer service snapshot of customer feedback in 2022. Following a cyber security review there was a strong cyber culture and good cyber working practice at Dorset Council.

The review demonstrated some good strengths for the operational service and showed low revenue spend against benchmark peers. Strategic managers were less satisfied with the support they received from the technology function.

Cllr Gray highlighted the importance of working with the officers who controlled the budgets and held consultation with the customers.

Decision

The report was noted.

124. Update on External Audit

Ian Howse from Deloitte updated the committee on the progress of the external audit.

The committee was made aware that the audit continued to make progress and was very close to completion.

Noted

125. Work Programme

There were no comments.

126. Urgent items

There were no urgent items to report.

127. Exempt Business

There were no exempt items to report.

Duration of meeting: 10.00 - 11.24 am

Chairman

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Audit and Governance Committee

12 June 2023

Update on preparation of the Statement of Accounts for 2022/23 and the External Audit for 2020/21 and 2021/22 Statement of Accounts

For Review and Consultation

Portfolio Holder: Cllr G Suttle, Finance, Commercial and Capital Strategy

Local Councillor(s): All

Executive Director: A Dunn, Executive Director, Corporate Development

Report Author: Heather Lappin

Job Title: Head of Strategic Finance

Tel: (01305) 221713

Email: Heather.Lappin@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary:

This report comes to the Audit and Governance Committee with information on the delay to the preparation of the 2022/23 Statement of Accounts and gives an update on the external audit of the accounts for 2020/21 and 2021/22.

Recommendation:

Committee is asked to:

1. Note the update on the preparation of the 2022/23 accounts and the audit update of the 2020/21 accounts and 2021/22 accounts.

Reason for Recommendation:

Although this report does not seek approval for the delay to the publication of the Statement of Accounts for 2022/23, it is important that the committee has an understanding to the reasons behind the delay in publication of the accounts, and the delays in the completion of the 2020/21 and 2021/22 audit.

1. Executive Summary

- 1.1 The Audit and Governance Committee will be aware that the 2022/23 Statement of Accounts are due by current regulations for completion in draft form for submission to Deloitte as our external auditors by 31 May 2023.
- 1.2 This is two months earlier than has been the case for the past few years. This report sets out the reasons why this deadline was not able to be met, the revised timetable for closedown and audit, as well as the steps being taken to resolve this ongoing position.
- 1.3 The Committee will be aware that for Dorset Council the audit of the 2020/2021 and 2021/2022 accounts has not yet been completed. This is an issued mirrored nationally, and the issuing of local authority opinions has been a matter of some concern with circa 630 outstanding opinions relating to 2021/22 or prior years still pending.

2. Financial Implications

All covered within this report.

3. Natural Environment, Climate & Ecology Implications

None

4. Well-being and Health Implications

None

5. Other Implications

None

6. Risk Assessment

6.1 HAVING CONSIDERED: the risks associated with this decision; the level of risk has been identified as:

Current Risk: Medium

Residual Risk: Medium

7. Equalities Impact Assessment

None

8. Issues impacting on completion of the publication of the 2022/23 Statement of Accounts

- 8.1 As the committee has been informed, there have been several issues nationally over the last few years, relating to the completion of the external audit of the Statement of Accounts.

The issuing of local authority opinions has been a matter of some concern with circa 630 outstanding opinions relating to 2021/22 or prior years still pending.

There have been two recent consultations on this matter – a call for evidence from the Public Accounts Committee, and another from Department of Levelling Up, Housing and Communities (DLUHC).

The first, from the Public Accounts Committee, which was on the timeliness of local auditor reporting, and followed on from earlier inquiries into local audit in England in 2021 which found that the national system was close to breaking point, further exacerbated by the pandemic and ongoing impact on resource availability.

The DLUHC consultation, request for views, asked whether the 31 May deadline should remain for making accounts available for public inspection. Dorset Council, along with the Local Government Association (LGA), SCT, the Association of Local Authority Treasurers (ALATs) and others responded to this, saying that the 31 May deadline should not be used as it is unrealistic, given the significant and ongoing audit delays.

Then, on 3 March 2023, the Levelling Up, Housing and Communities (LUHC) Committee launched an inquiry into local audit. The inquiry will “scrutinise the role of audit in local accountability and democracy and the extent to which accounts provide a clear picture of the financial sustainability and resilience of a local authority.”

The inquiry is also likely to explore how local authority financial reporting could be made more accessible, the role of local audits in acting as ‘red flag’ for action by councils to address financial issues, and how auditors in local government could work together to share best practice.

- 8.2 Despite representation to the recent consultation with DLUHC, the Department and the Chartered Institute for Public Finance and Accountancy (CIPFA) chose to revert to the earlier deadline to produce

the 2022/23 draft Statement of Accounts for local authorities for public inspection in England as the 31 May 2023.

Although CIPFA does recognise that the period of public inspection should be a matter for local authority consideration and not set nationally for a prescribed period.

8.3 Prior to signing the draft accounts the Section 151 Officer must consider whether they have sufficient information available to ensure that the statement of accounts give a true and fair and free from material misstatement. The internal review at the end of May highlighted three key issues:

- (i) The finance team are dealing with a number of audit issues from 2020/2021 and 2021/2022. These outstanding audit issues have not been resolved and any consequences on these will have on prior years and thus potential any adjustments to prior years accounts.
- (ii) End of Year Valuations: The contractor assigned to undertake the valuations for the 2022/2023 period of 350 of the Councils land and building assets. This work has not been completed in line with the agreed timetable. The national contractor attributes the delay to significant resourcing issues of their own. The Council in terms of mitigation has appointed additional national and local contractors who had in themselves limited additional capacity to assist to close this work down at pace.
- (iii) Deloitte have advised that due to the delays to the prior years audits which are due to the national issues, they are unable to commence the 2022/2023 audit.

8.4 As a result of discussions with the relevant parties, the committee is asked to note that it was not possible to issue the draft Statement of Accounts by 31 May 2023, and the revised date now being July 2023. A notice on the Dorset Council website has been issued to inform of the public inspection period.

9. Update on the 2020/21 and 2021/22 External Audit

9.1 In recent verbal reports to the committee, the external auditors have provided updates on the 2020/21 and 2021/22 audits.

In January 2022, the ISA260 for the 2020/21 Accounts went to the Audit and Governance Committee. Shortly after that meeting there became a national issue relating to the valuation of infrastructure assets. They are assets that are used to deliver services but cannot be sold. Such assets include highways, footpaths, bridges, coastal defences, water supply and drainage systems. Issues were raised nationally by auditors in relation to the derecognition (removal of the carrying amount) of parts of the infrastructure assets when replacement expenditure is undertaken.

- 9.2 In January 2023, CIPFA issued guidance on a temporary solution which features a temporary relief to not report gross and accumulated depreciation. As part of this review the council are working with Deloitte to review the depreciation values for the current infrastructure assets that are held. The English regulations apply to statements of accounts for financial years beginning on or before 1st April 2024, and to those accounts which have not already been certified by the local auditor.
- 9.3 The impact of this issue has then created the delay in the external audit for 2021/22.

10. Appointment of External Audit for 2023/24 onwards

- 10.1 The Committee will also be aware that for the 2023/24 Statement of Accounts, following a procurement exercise run by the Public Sector Audit Appointments (PSAA), Grant Thornton are the Council's appointed auditors. This will require a handover between auditors. Officers have already begun discussions with Grant Thornton and Deloitte relating to this matter, as a key focus now is how we turn the curve and resolve this position to consistently meet future deadlines.

The delay in the 2022/23 audit by Deloitte will mean that there will again be a cross over with the audit of that year and the closedown of 2023/24 accounts. This will need to be managed carefully alongside the handover of audit. The S151 officer will engage with the Finance Team and the Auditors this September to map that process and timing out to ensure that the council meets the 31 May 2024 deadline for 2023/24 Accounts.

11. Summary and Conclusions

- 11.1 The Section 151 Officer will inform the Committee that the capacity and capability with the Finance Team is of a good standard, with good processes and approach to closedown of the Statutory Accounts for 2022/23. As such, the key to 2023/24 will be resolving the outstanding technical issues and preparing the ground for upcoming changes such as

the pension fund accounting and infrastructure asset reporting. This will be a key focus of the Finance leadership team.

Audit and Governance Committee

12 June 2023

Annual Fraud and Whistleblowing Report

For Review and Consultation

Portfolio Holder: Cllr S Flower, Leader of the Council

Executive Director: J Mair, Director of Legal & Democratic

Report Author: Marc Eyre
Title: Service Manager for Assurance
Tel: 01305 224358
Email: marc.eyre@dorsetcouncil.gov.uk

Report Status: Public

Brief Summary: The Audit and Governance Committee receives an annual report on fraud and whistleblowing, which provides an update on the Councils approach, including a summary of cases reported in the preceding twelve months.

Recommendation: The Committee are asked to:

- i) Note the annual update on fraud and whistleblowing activity;
- ii) To reaffirm that the Chair of the Audit and Governance Committee acts as the Council's member fraud prevention champion.

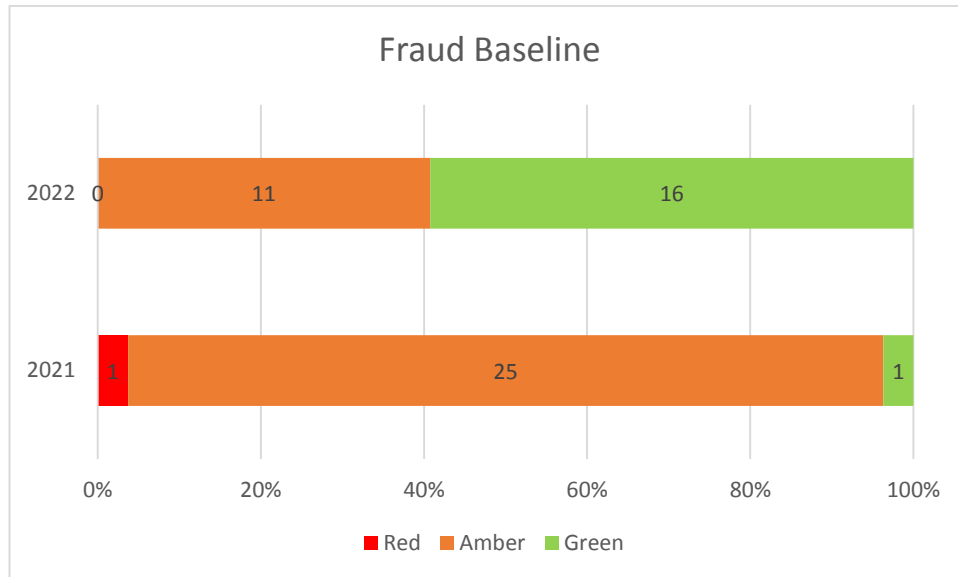
Reason for Recommendation: To support the Council's zero tolerance to fraud.

1. Summary of Anti Fraud Initiatives

- 1.1 Following the South West Audit Partnership (SWAP) "Fraud and Reporting" audit report in April 2021, the Council has maintained a fraud action plan to track progress in implementing anti-fraud initiatives. The chart below notes the progress that has been made since the last annual report (which was presented to the 22 June 2022 committee):

Theme	Latest Position	Status
Policy framework	Fraud and whistleblowing policies were reviewed, updated, approved and promoted: <ul style="list-style-type: none"> • Anti Fraud Bribery and Corruption Policy; • Anti Money Laundering Policy; • Whistleblowing Policy 	Completed
Fraud Risk Assessment	Output from SWAP's fraud risk assessment review with services has been embedded into the Council's Service Risk Register framework, and reviewed alongside any other service risks.	Completed
Communication	The fraud and whistleblowing intranet pages have been reviewed and updated. The Chief Executive issues an annual reminder of our whistleblowing arrangements.	Completed
Training for Officers and Members	A set of fraud and whistleblowing modules are available to staff and members via the Learning Hub. Ongoing work is required to undertake a training needs analysis to identify specific training requirements for higher risk areas.	Part complete
Fraud identification	A number of service areas have initiated data matching via Cifas (as part of our internal audit arrangements with SWAP), including insurance; contractor/agency appointment; and financial assessments. Additional service areas are being considered for inclusion.	Ongoing

1.2 SWAP completed their second baseline assessment of maturity in relation to fraud in November 2022. This provided a cross-cutting baseline assessment report on the maturity of fraud management across wider SWAP partners. As shown in the comparison chart below, significant progress has been made within the last twelve months to improve our fraud maturity:



1.3 The following actions sit alongside the eleven Amber ratings, and will provide a focus for 2023/24:

- Sign off of a fraud protocol between SWAP and Dorset Council;
- Undertake a fraud training needs analysis;
- Develop a central repository for fraud updates / communication;
- Ongoing roll-out of Cifas

1.4 The baseline report also noted that whilst the former chair of Audit and Governance Committee had been identified as the elected member fraud prevention champion, this had not been reaffirmed with the new chair. This is noted as a recommendation for adoption.

1.5 SWAP carried out an internal audit on employee expenses, including a proactive fraud review, which provided a “reasonable” assurance opinion, and four recommendations for improvement identified.

2. Reporting of Whistleblowing and Fraud – 2022/23

- 2.1 Whilst any issues reported via the Whistleblowing hotline or directly to either the Monitoring Officer or Section 151 Officer will be recorded centrally, other issues that could constitute fraudulent activity (for instance those related to staff code of conduct) are investigated and reported separately via Human Resources. At this point in time, this report focuses on issues reported to the Monitoring Officer or Section 151 Officer.
- 2.2 The purpose of the whistleblowing policy extends beyond fraud to other perceived cases of malpractice, whether behavioural, procedural or in respect of health and safety failings.
- 2.3 The whistleblowing policy sets out a number of mechanisms for notification of fraud or other perceived malpractice. The table below sets out whistleblowing activity during 2022/2023, with six cases reported in the twelve month period (April 22 to March 23):

Whistleblowing hotline:	No notifications received
Notification to Manager / Executive Director / Chief Executive :	Case 04/2022 – Raised via elected member. Currently being investigated and outstanding at time of writing this report. Case 06/2022 – Health and safety concerns raised relating to a non-DC education setting. Passed to Childrens Services, as commissioners.
Notification to the Monitoring Officer :	Case 01/2022 – Raised via whistleblowing channels, but not pursued as no allegations of actions, inactions or failings by Dorset Council. Case 02/2022 – Alleged bullying and poor management in Place Directorate. Passed to HR. Case 03/2022 – Allegations against line manager within Adults and Housing. Complaint investigated and not upheld.

	Case 05/2022 – Alleged poor management practices during restructure. Not upheld.
Notification to the Section 151 Officer :	Case 07/2022 - Indirect letter received via Salix regarding concerns that some solar PV schemes within the programme had been oversized for the requirements of the building. Direct investigation undertaken, alongside contractors, and no substance to the claims from the anonymous source. Not upheld.
Notification to SWAP :	None

3. Financial Implications

Fraud presents a financial risk to the Council which needs to be managed to reduce risk down to an acceptable level.

4. Climate Implications

None

5. Well-being and Health Implications

None

6. Other Implications

None

7. Risk Assessment

7.1 HAVING CONSIDERED: the risks associated with this decision; the level of risk has been identified as:

Current Risk: Medium
Residual Risk: Medium

8. Equalities Impact Assessment

Fraud policies have been subject to EQIA.

9. **Appendices**

None

10. **Background Papers**

None

Audit and Governance Committee Work Programme 2023

12 June 2023		
Annual Fraud and Whistleblowing Report	Update Report	Portfolio Holder- Spencer Flower Officer Contact- Marc Eyre
Update from the monitoring officer on the constitution.	Update	Officer Contact-Jonathan Mair
Update on preparation of the Statement of Accounts for 2022/23 and the External Audit for 2020/21 and 2021/22 Statement of Accounts	Update Report	Officer Contact- Heather Lappin
17 July 2023		
Annual Information Governance Report	Report	Portfolio Holder- Spencer Flower Officer Contact- Marc Eyre
Quarterly Risk Management Update	Update	Officer Contact- Marc Eyre
Internal Audit Update	Update	Officer Contact-Sally White
ISA260 2020/2021	Report	Officer Contact- Ian Howse/Heather Lappin
25 Sep 2023		
Quarterly Risk Management Update	Update	Officer Contact- Marc Eyre
Internal Audit Update	Update	Officer Contact- Sally White
Committee Timings	Report	Officer Contact- Susan Dallison

Other items raised by Audit and Governance Committee requiring further consideration.

Issue	Notes	Date raised
Workforce stress / mental health issues	The committee have raised this as a potential area of work but note that it is linked to current transformation work	At committee on 7 November 2019
How Dorset Council holds and shares information	<p>It is understood that some work is being undertaken in this area.</p> <p>A councillor workshop on the Dorset Council transformation programmes is being held on 10 January 2020. The suggestion is that councillors attend this session and following this, the committee give further consideration to whether any further work is required in this area.</p> <p>The issue will be covered within the Annual Information Governance Report in 12th June 2023 meeting.</p>	At committee on 7 November 2019
Annual Information Governance Report	Record retention will be covered in the annual report. Will be coming to committee either July or September.	