

AUDIT AND GOVERNANCE COMMITTEE

MINUTES OF MEETING HELD ON MONDAY 23 SEPTEMBER 2024

Present: Cllrs Gary Suttle (Chair), Spencer Flower (Vice-Chair), Matt Bell, Neil Eysenck, Jill Haynes, Alex Fuhrmann, Andrew Parry, Andy Todd and Ben Wilson.

Co-opted Members: R Ong and S Roach

Present remotely: Cllrs Belinda Bawden and Cllr Ray Bryan,

Also present: Ian Howse (Audit Partner for Deloitte), Jackson Murray (Grant Thornton), David Wilkes (Service Manager Treasury and Investments), Cllrs Shane Bartlett and Jane Somper.

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

David Bonner (Service Manager for Business Intelligence and Performance), Sean Cremer (Corporate Director for Finance and Commercial), Aidan Dunn (Executive Director - Corporate Development S151), Angie Hooper (Principal Auditor SWAP), Heather Lappin (Head of Strategic Finance), Jonathan Mair (Director of Legal and Democratic and Monitoring Officer), John Miles (Democratic Services Officer), Matthew Turnbull (Democratic and Electoral Services Apprentice), Jonathan Price (Executive Director of People - Adults and Housing), Sally White (Assistant Director SWAP) and Chris Swain (Risk Management and Reporting Officer).

28. **Apologies**

No apologies for absence were received at the meeting.

29. **Minutes**

The minutes of the meeting held on 22nd July 2024 were confirmed and signed.

30. **Declarations of Interest**

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

31. **Public Participation**

There was no public participation.

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

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

No Meetings Held.

33. Risk Management Update

The Risk Management and Reporting Officer introduced the report. The last risk management update presented to the Committee was delivered on the 22nd of July. Since then, work had continued to advance, the organisations risk architecture strategy protocols and work in these areas included provision of principal risks linked to the efforts of the council plan working groups and further details would be explained when the council's plan had been finalised. Preparation around the methodology to create a risk appetite statement which would give a high-level steer from the top down, as the amount of risk that the organisation would be willing to accept in pursuit of its objectives. There was preparation with children services to deliver a risk training event for the Directorate in October. Which would be similar to the pilot conducted in the Place Directorate earlier in the year. It would aim to deliver greater clarity around risk articulation and a bid to improve the quality of the risk information available when making strategic decisions. The Risk register workflow to provide risk owners automatic risk register reminders was now fully operational and had proved to be a valuable asset in driving compliance levels. Collectively performance had improved with 100% compliance in risk register updates. He noted that further work was needed to drive a cycle of improvement and develop the Council's risk culture.

Noted.

34. Report of Internal Audit Activity Progress Report 2024/25- September 2024

The Principal Auditor SWAP Internal Audit Services summarised the report. Which was the second update report for the 2024 financial year and offered a reasonable interim opinion and there were no significant risks identified. Since the last report in July, one limited assurance opinion had been issued on Estates Income and Debt Management. SWAP had dialogue with the Corporate Director Assets and Regeneration and there was additional evidence that was not provided at the time of the audit that could have altered SWAP's assurance opinion. SWAP had agreed to undertake follow-up work to allow the service to demonstrate appropriate process control and evidence, and this will be reported back to the Committee in due course. There were currently 6 overdue actions where either the original date or the revised date had passed and 25 actions that had passed their original due date where a revised date had been agreed.

Noted.

35. July 2024 (Period 4) Financial Management Report 2024/25

The Corporate Director Finance and Commercial covered the highlights of the report. Section 5 of the report referenced the risk as high and the reason for that was due to the in-year pressure of £10.1 million which reserves were needed to meet. Forecasts were likely to increase rather than decrease for the winter months due to the need led budgets and the increase in demand. Mitigation came late in the year for last year like the collection fund, the contingency and in year grants

announced by the government. All of these had been factored into the report, so the contingency relied on last year to support the financial year had already been played. Therefore, there was no backup plan in the same way as last year. He went through section 9 regarding the pressures within services totalling £9.7 million and when added to the pressures of OFC £8.6 million, which totalled pressure of £18.3 million. This was offset by contingency use of £5 million and the collection fund of £3 million. This brought down the net position to £10.1 million overspend. He covered section 17 general activity around the Councils general goods and services invoicing, and there had been some improvement on the figures. A concerted effort had been taken to recover some of the debt that flowed through and two thirds of the debt outstanding as of last financial year had been collected.

Co-opted Member Mr Roach referenced pg 48 and 49 of the report and queried why there was a blip in the number of children that occurs in June 2023 which did not correlate with the cost.

In response to questions asked, the Corporate Director Finance and Commercial explained that he needed to look more closely at these dates and bring it back to the Committee. He assumed that although it was a blip, the number came down quite quickly afterwards. So, it was possibly that people were taken into care for very short intervention work and as a result, a small cost incurred.

The Executive Director for Corporate Development responded to questions regarding what was driving budget overspend on a consistent basis and the increasing cost pressures. He explained that Children Services had overspent but he did not want to detract from the success story of the number of children in care decreasing. Compared to other local authorities which were seeing children in care increasing or staying the same and their costs increasing significantly. Despite the overspend, the containment in growth of costs had been a success for Dorset Council. There had been significant work across the organisation to try and contain the inflation of care prices. But there was a market and if the Council refused to pay the price there was a risk that the resident would be handed back.

Cllr Haynes requested that regular updates be provided for Our Future Council as it was not included within the recommendations of the report.

Noted.

36. **Treasury Management Annual Report 2023/24**

The Service Manager for Treasury and Investments went through the highlights of the report. The Council's Capital Financing Requirement (CFR) at the end of the financial year was £388 million which was compared to £367 million at the start of the year and an estimated closing position of £400 million when the treasury management strategy for the year was approved. He explained that this showed that borrowing did increase over the year, but it did not increase as much as was expected, which was due to slippage in the capital programme. Total external borrowing plus other capital finance liabilities, such as Private Finance Initiative (PFI), were £243 million at the end of the year which was up from £219 million at the start of the year. The total interest paid servicing the total debt was just under

£8 million for the year. The difference between the CFR and total debt was approximately £145 million which was financed temporarily through internal borrowing, using reserves, working capital and other balance sheet resources that could otherwise have been invested. At the end of the year, the Council had cash and cash equivalents of £22 million plus treasury investments of £52 million, £72 million in total, which was down from £115 million at the start of the year. The biggest external factors impacting treasury management during the year were high inflation and increases in interest rates, leading to increased costs for the Council but higher returns on cash investments.

In response to Cllr Parry's question about the Risk Assessment at the end of the report and whether officers were confident about what had been indicated, the Service Manager for Treasury and Investments informed that officers needed to go away and look at how the risk was graded.

Noted.

37. Update on the Backstop for Audited Bodies.

Jackson Murray from Grant Thornton updated the Committee on the local authority backstop. The backstop date was anticipated to be 13th December 2024 for Audits 22/23. A backstop date for the 23/24 audit of the 28th of February 2025. The following year 24-25 a backstop date of the 27th of February 2026. Based on discussions, he understood that the 22/23 audit would be backstopped and subject to a backstop disclaimer opinion letter. The Pension Fund would have a clean audit opinion by 2025-26, given the nature of the accounts and the investments would be viewed on an annual basis.

Noted.

38. Informing the Audit Risk Assessment for Dorset Council and Dorset Pension Fund 2023/24

Jackson Murray introduced the report. The report set out a number of questions that Grant Thornton asked management, both the Council and the Pension Fund on an annual basis driven by auditing standards. The responses then drove the audit work and audit plan.

Noted.

39. IT Audit Findings Dorset Council and Pension Fund

Jackson Murray from Grant Thornton covered the report. He set out the reasons why the report had come to the Committee. Grant Thornton IT colleagues reviewed the key IT systems that fed into the financial statements of the Council. IT audit colleagues liaised with IT at the Council to consider the controlled environments in place and the report set out the controlled findings along with Grant Thorntons recommendations and management response to those recommendations.

Mr Roach highlighted the significant cyber security risk, and that the Council had recognised this as extremely high risk, that would likely occur and if it did, it would have catastrophic impact. He raised concerns that information provided within the report could be used by bad actors and should not have been in the public domain.

The Committee supported that the sensitive information should be taken down and removed from the public agenda.

Noted.

40. **Work Programme**

No comments were made.

41. **Urgent items**

The following items of business were considered by the Chairman as urgent pursuant to section 100B (4) b) of the Local Government Act 1972. The item was considered to be urgent because (Deloitte were not able to complete their review and unable to sign off the 2021/22 audit until the December Committee along with the Disclaimer for 2022/23).

a) **Status Update Report to the Audit and Governance Committee on the 2021/22 Audit**

To receive an update by Ian Howse, Deloitte

b) **Planning Report to the Audit and Governance Committee on the 2022/23 Audit – September 2024**

To receive a report by Ian Howse, Deloitte

42. **Status Update Report to the Audit and Governance Committee on the 2021/22 Audit**

Ian Howse, Audit Partner for Deloitte updated the Committee on the 2021/22 Audit. The Audit was substantially complete in terms of the field work and Deloitte were into their review process and he did not envisage any problems in delivering this audit before the backstop. He went through the report which stated that work was well progressed. No significant weaknesses had been identified on the Councils value for money and use of its resources.

Noted.

43. **Planning Report to the Audit and Governance Committee on the 2022/23 Audit – September 2024**

Ian Howse covered the plan for the 2022/23 audit which would not be completed by the backstop date and therefore, would be disclaimed and provide no opinion

and there will be no substantive testing. At Cllr request Deloitte provided an update on the recommendations made on a prior ISA 260 report.

Noted.

44. Exempt Business

Decision

That the press and the public be excluded for the following item(s) 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).

There was no exempt business.

Duration of meeting: 6.30 - 8.27 pm

Chairman

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