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AUDIT AND GOVERNANCE COMMITTEE

MINUTES OF MEETING HELD ON MONDAY 25 MARCH 2024

Present: Cllrs Richard Biggs (Chairman), Susan Cocking (Vice-Chairman), Pauline Batstone, Belinda Bawden, Simon Christopher, Barry Goringe and David Gray

Co-opted Members: R Ong and S Roach

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

Sean Cremer (Corporate Director for Finance and Commercial), Aidan Dunn (Executive Director - Corporate Development S151), John Miles (Democratic Services Officer), Megan Rochester (Democratic Services Officer) and Chris Swain (Risk Management and Reporting Officer).

Also present: Ian Howse (Deloitte Audit and Assurance).

Officers present remotely (for all or part of the meeting): Angela Hooper (Principal Auditor SWAP)

64. **Apologies**

An apology for absence was received from Cllr Trite.

65. **Minutes**

The minutes of the meeting held on 15th January 2024 were confirmed and signed.

66. **Declarations of Interest**

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

67. **Public Participation**

There was no public participation.

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

The Audit and Governance Sub-Committee minutes for 11th Jan 2024 and 22nd Feb 2024 were noted by the committee.

Cllr Christopher questioned the financial cost of Audit and Governance Sub-Committees hearings and investigations and how much they had cost Dorset Council particularly in respect to officer time, legal services, democratic services, and the wider cost of the hearings.

The Executive Director for Corporate Development confirmed that he would create indicative costings for the committee to aid understanding.

Cllr Biggs highlighted that the sub-committees quite often cancelled at the last minute due to illness. Which was a burden for members that had to read lengthy reports only for the date to be cancelled.

69. **Planning Report to the Audit and Governance Committee for the Year Ending 31 March 2022**

Ian Howse presented and covered the highlights of the report on the 2021-22 Audit. Since the committee first met the 2020-21 Audit was signed off.

The planning report set out the significant risks that were identified in relation to the audit of financial statements. There was no significant risk of fraud in relation to revenue recognition grant income. An additional fraud risk was identified for 21/22 in relation to the capitalisation of infrastructure assets and assets under construction, given the level of judgement required to correctly identify capital spend. For value for money, work was on-going as there was a national movement to report on all years of audit that had not been reported on in one report which would be issued this summer. It would cover value for money in the years 2021, 21-22, 22-23 and would be the auditors annual report. He went through the potential impacts of Covid-19 and felt that for this year's audit there would be less of an impact.

In response to questions from the committee, Ian Howse informed that the audit was tailored to the organisation and although he understood the points being made around timeliness due to national issues that led to delays. Significant progress had been made on the audit as most of the detail testing would be finished by the end of the month and then move onto the review process of the work over April and early May.

Cllr Grey requested that the reports be written in plainer English to aid better understanding. He recommended that the Scrutiny Committee should review car parks within the next few years to look at the value of car parks.

Cllr Christopher informed that residents were concerned about the value of misstatements identified in the previous year. The Executive Director for Corporate Development responded that £1.4 million misstatements had been identified in the previous year and to put this into context of Dorset Council's £370 million of net budget, the £4 billion pension fund and over 1000 assets. Given the scale of the organisation, he informed that this was a reasonable result.

In response to Cllr Cocking's question regarding what controls were in place so that Dorset Council did not incur any fees for the next Audit. Ian Howse responded that the process in place was, if the scope of the work changes, then there would be additional fees. The additional fees were proposed to the finance team, and they would then put their view on whether it was a valid fee. If there was no agreement then the PSAA would review the fees, the extra work conducted and give their opinion. The continuous improvement process and control environment

helped to reduce fees. The Executive Director Corporate Development added that the fee regime was set by PSAA a national body, and performance, funding, and milestones, so there was little room for Dorset Council to set rates as part of a national agreement.

Cllr Christopher requested that the contract letter between Deloitte and PSAA which sets out the contractual relationship between the external auditors, should be shared with the independent members to help their understanding.

Noted.

70. Report to the Audit and Governance Committee on the 2020/21 Audit

The Executive Director for Corporate Development in response to questions regarding the dedicated school grant and whether the negotiations with the department of education would be concluded and what would be the outcome. Informed that the latest conversation was a joint inspection with Ofsted and QCQ inspecting special educational needs services. It had been agreed with the department to wait so that plans could be adapted accordingly and be factored into financial modelling. The latest proposal was towards the end of June.

Cllr Biggs and Mr Roach raised concerns around IT privileged access and the controls that were in place, whether they were robust and requested that a piece of work come to the committee.

Ian Howse responded to Cllr Christopher's previous question pertaining to the County Farms Valuation. The Council was required to value all its assets over a 5-year sequel basis. It was up to the council to choose how it obtained the valuation and whether it went out to an external valuer or used an in-house valuer. Deloitte then brings in its own property valuation specialist to challenge the valuation, hence the issues raised with the car park valuation.

Noted.

71. Quarter 3 Financial Management Report 2023/24

Cllr Biggs introduced the report, he informed that the report had been through Cabinet and was a part of the budget setting process.

Cllr Grey enquired about the process of writing off debts. He also looked for reassurance for the next Council in terms of the Capital Program, to build in contingencies. The Corporate Director for Finance and Commercial responded that there was £7.66 million allocated to contingency funds to deal with raising prices, changing priorities and unanticipated new projects. For time and alternative planning, when identified we would look at plan B, C, D, some of the slippage related to the COVID pandemic in which, a number of construction players went out of business, rapid inflation and this caused the council to look for alternative suppliers or delivery routes for projects. For larger projects, the service looked at competitive procurement exercise and alternative routes to market to attract people to deliver. The Executive Director for Corporate Development added that

there were two dimensions, the cost of some of the projects overrunning like increasing costs and not fully spending capital budget due to capacity constraints.

Cllr Biggs raised concerns about overspend and wanted to be reassured that spot-checking was taking place for projects under £2 million.

In response to questions from the committee, the Corporate Director for Finance and Commercial informed that as part of the monthly finance report, he was liaising with project managers to get latest forecasts and status updates.

Noted.

72. Constitutional Update

The Director Legal and Democratic was unable to attend the meeting and sent his apologies.

73. Work Programme

74. Urgent items

There were no urgent items.

75. Exempt Business

There was no exempt business.

Duration of meeting: 10.00 - 11.49 am

Chairman

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