

## Minutes of the Audit and Standards Committee Meeting held on 20 February 2024

Present: Carolyn Trowbridge (Vice-Chair, in the Chair)

Attendance	
Bernard Williams	Bernard Peters
Philippa Haden	Keith Flunder
Phil Hewitt	Richard Cox
Graham Hutton	

**Apologies:** Janice Silvester-Hall, Mike Worthington and Arshad Afsar

### Part One

#### 44. Declarations of Interest

There were no declarations of interest raised on this occasion.

#### 45. Minutes of the Meeting held on 12 December 2023

**Resolved** – That the minutes of the meeting held on 12 December 2023 be agreed and signed by the Chairman.

#### 46. Updated Annual Governance Statement - 2022/23

The Committee received the updated Annual Governance Statement (AGS) for 2022/23. The Committee were reminded that at the 12 December 2023 meeting, they approved the 2022/23 AGS, which remained draft until the Statement of Accounts were finalised.

Following the December meeting, the full Children's OFSTED inspection report was received on the 12 January 2024. The overall rating given was 'requires improvement to be good'. Therefore, the draft AGS had been updated to include the key findings, actions and recommendations from the report.

The AGS was further expected to be updated to include any key governance matters that emerged up to the point that the 2022/23 Statement of Accounts were finalised. In line with best practice, Members were requested to consider the amendments highlighted in yellow and approve the revised AGS.

The Chief Executive provided an overview of the recent OFSTED inspection, highlighting a number of key areas of the report where improvement was required. Immediate actions were noted by the

Committee, including the submission of an improvement plan in April 2024 and the start of an improvement mechanism. A future reinspection was expected within three to four years.

Members commented on the figures of Looked After Children in Our Care, and whether the increase constituted a trigger for the mismanagement and additional pressure on the organisation. It was clarified that the increased figures did not show the sole reason for a decrease in performance or standards but could describe the increased pressure on the system. A number of performance monitoring measures were being put in place, including a Strategic Board, monthly performance reporting to Senior Leadership and quarterly safeguarding reviews to perform checks and balances.

Members further commented on the scrutiny from outside bodies and scrutiny within the Council, and which Committee would be best placed to provide ownership of the actions from the report. In response, it was noted that a meeting was taking place between the Chief Executive, the City Director from Stoke-on-Trent and the Chief Executive of the Integrated Care Board to address the health-related concerns raised by OFSTED.

Members noted the aspect of continual review and improvement and the role of the Committee to ensure this carried on following a further inspection. It was clarified that updated information would be made readily available month by month. A timeframe for improvement was in place with an improvement architecture due in February 2024. An improvement plan would be submitted in April 2024 with defined timescales following thereafter.

**Resolved** – That the Committee approve the updated Annual Governance Statement to reflect the findings from the published Children’s Services OFSTED report.

#### **47. Member Officer Relationships - Update**

The Committee received a report from the Deputy Chief Executive and Director for Corporate Services on the work undertaken on Member / Officer relations.

The Committee were reminded that in the summer of 2023, the Member and Democratic Services team convened a working group of members and officers to review the guidance on Member and Officer relations.

Suggested amendments from the working group were highlighted, with particular attention given to the clarification on roles of officers and members; the management of officers; personal relationships including

social media interactions and further sources of information.

The redrafted guidance had already been presented at the Corporate Governance Working Group and the Committee were asked to approve the revised guidance.

**Resolved** – That (a) the revised guidance on Member and Officer relations are published as part of the Constitution;

(b) As these constitute only minor amendments, it is recommended that the Monitoring Officer adopts these changes in line with their Statutory Powers;

(c) Once adopted, Member and Democratic Services will deliver an awareness raising campaign to promote the revised guidance amongst Members and Officers.

#### **48. Adoption of Statutory Guidance on Settlement Agreements / Constitutional Changes**

The Committee received a report on the adoption of statutory guidance on Settlement Agreements, noting that the Department for Levelling Up, Housing and Communities had published Statutory Guidance concerning the making of special severance payments.

Members were reminded that an audit of settlement agreements had been previously conducted as part of the 2019/20 Audit Plan, with a final report issued in September 2022 and subsequently presented to the Committee. A progress update was presented in April 2023.

It was noted that the guidance had been implemented and schemes of delegation amended to reflect the changes. It was therefore proposed that the Council's Constitution be amended to include the Statutory Guidance.

Members asked how many payments had been made under £20,000 to warrant the change in policies. Whilst this data wasn't available in the meeting, it was noted that the audit report presented previously contained an analysis on the data, but updated information could be provided outside of the meeting.

**Resolved** – That (a) Staffordshire County Council note and adopt the changes recommended by the Statutory Guidance.

(b) Amendments are made to the Constitution to reflect the Statutory Guidance, as required.

#### **49. Proposed Constitutional Changes - Nexxus**

The Committee received a report regarding the adoption of constitutional changes recommended to support the governance arrangements for Nexxus Trading Services Limited.

Members noted that guidance was published in November 2022 by the BDO (Accountancy and Business Advice Organisation) and Local Partnerships Organisation, in response to a number of public interest reports where issues with Local Authority Trading Companies (LATCOs) were identified.

In March 2023, the Audit team published a final report and a subsequent review of LATCOs was undertaken by the County Solicitor on behalf of the Deputy Chief Executive and Director for Corporate Services.

Changes were identified that could better support governance arrangements, of which the Articles of Association and Shareholder Agreement had been reviewed and refreshed. The proposed amendment to the Constitution reflected Dr Richard Harling stepping down as a Director of Nexxus Care but holding a Shareholder Representative role.

**Resolved** – That the Committee note and agree the constitutional change recommended to support the governance arrangements for Nexxus Trading Services Limited.

#### **50. Annual Audit Report - 2020/21**

The Committee received the Annual Audit Report for 2020/21 from the External Auditors, Ernst and Young. The report summarised the conclusions for the 2020/21 audit, and Members noted the audit results reports previously presented to the Committee which outlined the key issues identified.

This Annual Audit Report was issued following the opinion given and included the value for money (VFM) commentary. Members commented on the two significant risks identified regarding OFSTED and CQC and it was clarified that these had been identified as risks at that point in time as they were following previous inspections and the arrangements the Council had in place.

Members further commented on the value for money and the dates set for work to be undertaken. It was clarified that a number of issues including external auditor capacity, national guidance and the updated triennial evaluation of the Pension Fund had affected the timeliness of audits taking place. It was further clarified that the proposed fees were subject to PSAA determination, and that the 25% uplift referred to was the rate per hour,

not an uplift overall.

**Resolved** – that the report be noted.

## **51. External Audit - Verbal Update**

A verbal update was provided to the Committee on the 2021/22 and 2022/23 financial year external audits.

The Committee were reminded of the discussion at their December 2023 meeting regarding the 'reset' of the Local Government Audit Market to ensure audits were being delivered in a timelier manner and relevant to the year of audit.

On the 6<sup>th</sup> December 2023, the External Auditors wrote to Section 151 officers outlining the firms intentions and where capacity would be focused. Maximising capacity into completion of historic audits and working to close out audits nearing completion was a priority, along with Pension Fund audits and value for money (VFM) reporting.

The proposals for a reset consultation opened on the 8<sup>th</sup> February 2024 and was due for completion on the 7<sup>th</sup> March 2024. As part of the consultation documents, the National Audit Office (NAO) had outlined a cumulative backlog of 771 audits outstanding as at December 2023.

The consultation set out three stages to get the audit system back on track. Phase 1 of this was determined to be a 'reset', where focus would be given to clearing historic audits up to 2023. A proposed backstop date had been set at the end of September 2024, where a form of disclaimed opinion could be provided for those years.

Phase 2 was determined to be a 'recovery', where backstop dates would be introduced for future audit years to gradually ensure that auditors were reporting by the end of November in the relevant financial year.

Phase 3 would be a reform to address systemic challenges within the audit system, which could include changes to the audit practice.

Members queried the term 'disclaimed opinion' and what this meant. In response, it was clarified that a disclaimed opinion was where a disclaimer would be issued to state that whilst sufficient work had not been undertaken to reach a conclusion, an opinion would be issued to state that as fact. It was further confirmed that work would be required and therefore costs attached to the disclaimed opinion, but the costs would be less than a full audit. The PSAA were reflecting on decisions taking following the consultation and issuing guidance to local authorities on how this would impact audit fees.

Members sought clarification on the outstanding audits and whether these were being undertaken to previously agreed standards and when the backlog would be addressed. In response, whilst the dates were still subject to consultation, the 2023/24 audits were due for completion by the end of May 2025. Reassurance was provided to Members that the draft accounts were published and available on the website, and that the current financial year accounts were being worked on with new external auditors.

The Committee noted that the National Audit Office (NAO) and CIPFA were consulting on the Code of Audit Practice and the Accounting Code respectively with proposed changes which may affect how Audits are undertaken.

**Resolved** – that the update be noted.

## **52. Internal Audit Charter 2024/25**

The Committee received a report from the Director of Finance on the Internal Audit Charter for 2024, noting the minor change which related to the need to reflect the current Wider Leadership Team structure of the Council, with reference made to the Assistant Director for Internal Audit and Financial Services, replacing the Head of Internal Audit & Adults and Children's Financial Services role. No other changes were required to be made in 2024.

The Committee noted that, in January 2024, the International Internal Auditing Standards Board (IIASB) issued the new Global Internal Audit Standards. These set out the professional practices of internal audit functions and related to individuals both in the public and private sectors.

Going forward, changes may be required to future Audit Charter iterations, however any changes would be made once further guidance had been issued by the Internal Audit Standards Advisory Board (IASAB) and CIPFA.

**Resolved** – that the Committee approve the Internal Audit Charter 2024.

## **53. Forward Plan for the Audit and Standards Committee**

The Committee noted the Forward Plan for the Audit and Standards Committee, highlighting items on future agendas.

Draft meeting dates for the 2024/25 municipal year were included in the plan.

**Resolved** – that the Forward Plan for the Audit and Standards Committee be noted.

**54. Exclusion of the Public**

**Resolved** - That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A (as amended) of the Local Government Act 1972 as indicated below.

**55. Exempt Minutes of the meeting held on 12 December 2023**

**56. Building Resilient Families and Communities - Grant Verification Checks - Limited Assurances**

**Chair**