

Audit Committee

27th November 2024

PRESENT:-

Honorary Alderman Fenwick (Chair), Henry, Herrera Richmond, Kemp, Mrs Randall, and S. Robinson.

IN ATTENDANCE:-

D. Bell (Director of Finance & Transformation and Section 151 Officer), P. Holland (Head of Audit & Fraud), M. Armstrong (Accounting & Control Manager), M. Kirkham (Mazars) and L. Hawkins (Democratic Services Officer).

APOLOGIES:-

Councillors Hale, Hatcher and Wareing.

Minute No.	Description/Decision	Action By/Deadline
PROCEDURAL ITEMS		
12	DECLARATIONS OF INTEREST No declarations of interest were received in respect of the items that follow below.	
13	MINUTES OF THE MEETING HELD ON 29TH JUNE 2023 Agreed – that the minutes of the meeting held on 29 th June 2023 be taken as read and correctly recorded and be signed by the Chair.	
NON-EXEMPT ITEMS		
14	LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN REPORT – ANNUAL REVIEW LETTER The Director of Legal Services & Partnerships submitted a report which provided details of the Council's Annual Review Letter 2023 about complaints made to the Local Government and Social Care Ombudsman (LGSCO) and the Housing Ombudsman Service for the year ending 31 st March 2023 and the actions the Council had taken to resolve them.	

<p>The Committee discussed the following matters –</p> <ul style="list-style-type: none"> i. Whether there were any risks if the number of Housing related complaints were to increase. The Committee was informed that the financial risks were not known however it was possible to track patterns for example there had been a rise in damp and mould related complaints following the press coverage of the death of child at another authority; ii. That the Council’s website had been changed to help make complaints more visible, and iii. Whether there had been an increase in the number of complaints following the Covid pandemic. The Committee was informed that the number of complaints were reducing. There was always a rise in complaints in November and March, which related to the changes in the weather. There was also an increase relating to the academic year when primary and secondary school places were allocated and children did not receive their first preference school. <p>The Committee was informed that the Children, Young People, Families and Learning Overview and Scrutiny Commission received an annual complaints report which included Home to School Transport.</p> <p>Agreed –</p> <ul style="list-style-type: none"> a. That the report be noted, and b. That the Committee continues to receive an annual report to inform its role in considering the Council’s Annual Governance Statement and maintaining appropriate oversight with regard to the potential receipt of any public reports from the Local Government and Social Care Ombudsman or Housing Ombudsman Service. <p><u>Reasons for Recommendations</u> The recommendations take into account the</p>	<p>Director of Legal Services & Partnerships</p>
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	<p>number of complaints made to the Ombudsmen, against the volume of complaints received by the Council. More complaints were upheld however no Public Reports have been issued for the Council for the eighth consecutive year. The report recommendations acknowledge the requirement for ongoing vigilance to ensure the Council's responsive position regarding complaints can be maintained.</p>	
15	<p>WHISTLEBLOWER AND MEMBERS' COMPLAINTS</p> <p>The Director of Legal Services and Partnerships submitted a report which detailed the Whistleblower Complaints and Complaints about Members for the year ending 31st March 2023 and the actions the Council had taken to resolve them.</p> <p>The Committee was informed that it had not been possible to provide the previous year's statistics as they were not available; the number of whistleblower complaints remained relatively low as is was a widely misunderstood facility; there had been 10 elected member related complaints against six different elected members; the complaint process had been simplified by the introduction of an electronic form, and that there were no concerns in relation to whistleblower and member complaints.</p> <p>Agreed –</p> <ul style="list-style-type: none"> a. That the report be noted, and b. That the Committee continues to receive an annual report. <p><u>Reasons for Recommendations</u> The recommendations take into account the low volume of both Whistleblower and Members Complaints, and the low levels of upheld outcomes.</p>	<p>Director of Legal Services & Partnerships</p>
16	<p>2022/23 ACCOUNTING STATEMENTS – DRAFT ACCOUNTS AND AUDIT PROGRESS UPDATE</p> <p>The Director of Finance & Transformation submitted a report which presented to the</p>	

<p>Council and Group's draft Statements of Accounts for 2022/23 for review subject to the completion of the external audit.</p> <p>The Committee was informed that the audit was not yet complete however there were no material issues to report. The audit was progressing well and no changes to the accounts were expected.</p> <p>A discussion took place around whether the previous accounts were ready to be signed off. The Director of Finance & Transformation explained that the delay whilst auditors obtained and considered updated pensions information was yet to be resolved. It was acknowledged that there were significant issues in relation to the timing of signing of accounts however Hull was in a much better position than other authorities.</p> <p>It was confirmed that the issue in relation to the valuation of highway assets had been resolved since the Government had introduced a statutory override which allowed the accounts to be signed off and no changes to the accounts were required.</p> <p>The External Auditor explained that work had been undertaken during March 2023 to attempt to put arrangements in place to avoid there being in an issue with the pensions information, however it had not been possible to do so.</p> <p>A discussion took place around the pension audit and the issues it had raised. The External Auditor explained that the pension fund had performed well over the past three years and was now being treated as an asset rather than a liability. It was confirmed that the pension audit was a snapshot at a point in time.</p> <p>Agreed –</p> <ol style="list-style-type: none"> a. That the draft Statement of Accounts for 2022/23 as submitted and shown at Appendix 1 be noted, and b. That the Committee delegates the signing of the accounts to the Chair of this meeting, following the completion of the External Audit, on the proviso that there 	<p>Director of Finance & Transformation</p>
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	<p>were no material changes that would impact on the Council's underlying financial position.</p>	
17	<p>MEDIUM TERM FINANCIAL PLAN – UPDATE REPORT</p> <p>The Director of Finance & Transformation submitted a report which updated Members on the latest Medium Term Financial Plan (MTFP) projections for the period 2024/25 to 2026/27 and outlined a financial strategy which would inform the detailed formal budget proposals to be considered by Council and Cabinet in February 2024.</p> <p>The Committee was informed that the report had been considered by Overview and Scrutiny Management Committee and Cabinet. There was a medium term deficit in the Council's finances which had been identified as a weakness by the External Auditor. It was expected that the Council could set a balanced budget for 2024/25 subject to the Settlement in December 2023.</p> <p>The Director of Finance & Transformation went on to explain that unless the Council received additional funding in 2025/26 it would face unprecedented challenges. The Council had not yet had to make any changes which had significant impacts on services. Local Authorities had been hopeful for a new funding model to be announced however it had not been forthcoming. It was acknowledged that if no additional funding came forward the Council would need to take a number of difficult decisions in order to be able to balance its books in future years.</p> <p>The Committee discussed the following matters –</p> <ul style="list-style-type: none"> i. Whether there would be additional pressures relating to the staff pay awards. The Director of Finance & Transformation explained that an allowance for a 3% increase in 2024/25 and a 2% increase for 2025/26 had been made, however 	

	<p>there would be a further pressure if it was expected that the pay award might be higher;</p> <p>ii. That the ability to use capital receipts as a temporary measure to balance the budget closed in 2025/26 however the Government could extend the window;</p> <p>iii. Whether the Council was in contact with the relevant Government Ministers to ensure they understood the position that local authorities were in. The Director of Finance & Transformation explained that the Council was lobbying Ministers, Shadow Ministers and MPs;</p> <p>iv. That members were in support of the move towards placing looked after children in placements within the city rather than further away at a greater cost to the Council. The Director of Finance & Transformation explained that the city had enhanced its provision so that children who had been placed outside of the city could return if appropriate. It was important to ensure that children were in a placement that most suited their needs;</p> <p>v. Whether the Council should be allocating £100m to capital schemes when it could be facing such financial uncertainties. The Director of Finance & Transformation explained that the Council could have to consider some difficult decisions which including reducing its capital spend however they would be short term decisions, and</p> <p>vi. Whether a Devolution deal would have an impact on the Councils financial position. The Director of Finance & Transformation explained that the Government had offered an additional £15m if a deal was agreed. The funding would be routed through the Combined Authority via economic activity, but it would not have a direct input on the Council's position.</p> <p>Agreed –</p> <p>a. That the report be noted, and b. That an update on Devolution is submitted to a future meeting.</p>	<p>(b)Director of Finance & Transformation</p>
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	<p><u>Reasons for Recommendation</u> The Council needs to ensure that it has an up to date and realistic plan for managing its finances in the medium term. That plan includes within it the resources that are available to provide or commission services, and also outlines the ongoing or new actions that are needed to ensure that financial viability is maintained.</p>	
18	<p>INTERNAL AUDIT SERVICE – UPDATE REPORT: NOVEMBER 2023</p> <p>The Head of Audit & Fraud submitted a report which highlighted the outcomes of audit and risk management work completed between July 2023 and November 2023.</p> <p>The Head of Audit & Fraud explained –</p> <ul style="list-style-type: none"> i. The Council’s internal auditing resources had been depleted in the short term however the Principal Auditor was due to return to work in 2024. It was confirmed that progress continued to be made against outstanding actions; ii. The Fraud Team had focussed on Right to Buy applications. There had been a number of vacancies within the team which had been filled internally; iii. The Council had engaged an audit consortium to undertake some electronic based audit work off site however the Council was not joining the consortium at present. The arrangements would relieve some of the pressure on delivery whilst providing an opportunity for the Council to review and address the issues around rebuilding capacity, including further consideration of a consortium delivery model. There were other local authorities who were experiencing similar issues in relation to internal audit resources, and iv. That officers were confident that the Council could deliver its internal audit plan. <p>Agreed –</p> <ul style="list-style-type: none"> a. That the report be noted; 	Head of Audit &

	<p>b. That the plan at appendix 4 to this report as a basis for audit work during the remainder of the 23-24 audit year, subject to necessary changes for further matters arising is approved, and</p> <p>c. That the Committee is assured on the adequacy of the level of resource available to the Internal Audit section to provide the required assurance and undertake its necessary work.</p>	Fraud
19	<p>EXTERNAL AUDIT FEES UPDATE</p> <p>The Director of Finance & Transformation submitted a briefing note which updated Members about the PSAA's proposals for external audit fees for 2023/24 onwards.</p> <p>The Head of Audit & Fraud explained that there had been a restructuring of the external audit fees and they had also increased by 150%; that Government had announced measures to address the delays in local authority audits; that external auditors would receive payments inline with the completion of work going forward, rather than quarterly payments.</p> <p>The Committee queried whether the Government was providing any additional funding to cover the increase in external audit fees. The Head of Audit & Fraud explained that no announcement had been made however additional funding could be as part of the local government settlement or by additional grant funding.</p> <p>The Director of Finance & Transformation explained that it was unlikely that the Council's accounts would be qualified and that the delayed signing off of the accounts had not prevented the Council from borrowing from the Public Works Loans Board (PWLB).</p> <p>Agreed – that the briefing note be noted.</p>	
20	<p>AUDIT STRATEGY MEMORANDUM</p> <p>The External Auditor submitted a report which provided a summary of the audit approach, highlighted significant audit risks and areas of</p>	

	<p>key judgements.</p> <p>M. Kirkham explained that field work had been undertaken during September and it was now almost complete; that the audits from previous years had been bunched together in an attempt to get back in line; that the risk profile had been consistent over the past few years, and that a key area of interest was the Local Government Pension Scheme.</p> <p>Agreed – that the report be noted.</p>	
21	<p>AUDIT PROGRESS REPORT</p> <p>The External Auditor submitted a report which provided the Audit Committee with an update on progress in delivering the external auditors responsibilities. It also updated members on the national delays in completing the 2021/22 audits and provided an update on the progress of the 2022/23 audit.</p> <p>M. Kirkham explained that the tri-annual valuation of the Local Government Pension Scheme had caused delays in the completion of the 2022/23 audit.</p> <p>Agreed – that the report be noted.</p>	
22	<p>WORK PROGRAMME</p> <p>The Head of Audit & Fraud submitted the Committee’s work programme for review.</p> <p>Agreed – that the work programme be noted.</p>	

Start Time: 2.00pm
End Time: 3.45pm