

## **MINUTES OF THE AUDIT COMMITTEE**

**20<sup>th</sup> February 2024 at 6.00pm**

**Held at the Council House, Walsall**

### **Present:**

Mr A. Green (Chairman)  
Councillor Singh Sohal  
Councillor Bains  
Councillor Larden  
Councillor Nawaz  
Councillor Parkes

### **In attendance**

S. Darcy	Director – Corporate Finance, Performance & Corporate Landlord
R. Walley	Technical Accounting Treasury Management and Educational Finance Manager
R. Page	Technical Accounting Manager
R. Hutchinson	Head of Finance – Business Partnering
H. Dudson	Electoral Services Manager
S. Knowles	Head of Internal Audit (Mazars)
C. Williams	Director – Transformation and Digital
P. Withers	Data Protection Manager
S. Worrall	ICT Commercial and Customer Services Manager
K. Lees	Grant Thornton (External Auditors)
F. Hancock	Senior Democratic Services Officer

### **49 Welcome**

The Chair welcomed to the Committee all Members and Officers in attendance and invited them to introduce themselves.

### **50 Apologies**

There were no apologies.

### **51 Substitutions**

There were no substitutions.

**52 Minutes**

**Resolved** that the minutes of the meeting held on 20<sup>th</sup> November 2023, a copy having previously been circulated to each Member of the Committee, be approved and signed by the Chairman as a correct record, subject to Councillor Bains being added to the list of Members who were present.

**53 Declarations of Interest**

Councillor Nawaz declared an interest in item No 13, specifically in relation to the Cadmus family of schools.

**54 Local Government (Access to Information) Act 1985 (as amended)**

**Resolved** that the public be excluded from the meeting during consideration of the item(s) set out in the private part of the agenda for the reason(s) set out therein and Section 100A of the Local Government Act, 1972.

**55 Committee Decision Tracking Chart**

A report was submitted.

(see annexed)

The Committee received a report which provided Members with a chart tracking the details of all of its decisions for which a follow-up was required, to enable Members to monitor any outstanding actions and seek updates at future meetings where applicable.

The Director – Corporate Finance, Performance & Corporate Landlord presented the report and highlighted the salient points contained therein.

**Resolved** that the report be noted.

**56 Risk management update – Strategic Risk Register and Strategic Risks 8 & 9**

A report was submitted.

(see annexed)

The Committee received a report which provided Members with the updated Strategic Risk Register (SRR) along with further details on Risks 8 (Risk of Cyber Security Attack) and 9 (Threats in relation to failing to comply with the legal obligations and duties of the UK General Data Protection Regulations, the Data Protection Act 2018 and relevant legislative requirements).

Recent risk management activity had been carried out to refresh the SRR to ensure it contained the most current risks facing the Council. Officers from Finance had worked with Executive Directors and Directors from across the Council to update the risks, controls and assurances in place. Directorate Risk Registers (DRR's) and the SRR had been reviewed by the Directors' Group and the Corporate Management Team (CMT), and both had confirmed that the SRR (and DRR's) adequately reflected the risks facing the Council in relation to the delivery of its strategic objectives.

The Director – Corporate Finance, Performance & Corporate Landlord introduced the report and highlighted the salient points contained therein.

The Chair then invited the Director – Transformation and Digital, along with the Data Protection Manager and ICT Commercial and Customer Services Manager,

to address the Committee in relation to Risks 8 and 9. In doing so, he reminded Members that the Committee's remit was around assurance of the control systems in place, not to discuss or debate policy matters.

The Director – Transformation and Digital advised that there was a very good cross-working relationship between the two teams which would be covered individually by the Data Protection Manager and ICT Commercial and Customer Services Manager.

The ICT Commercial and Customer Services Manager explained that, in managing SRR Risk 8, the existing multi-layered controls in place were continuing to protect the Council from Cyber Security attacks. However, this was an ever-changing landscape with new threats emerging on an almost hourly basis. DaTS had a small, dedicated team which focused on the detection and prevention of cyber-attacks. A considerable amount of work had been undertaken to maintain and improve the Council's cyber security posture, including: -

- a strong password regime had now been implemented.
- multifactor authentication was now mandatory for all users.
- user accounts not accessed within 30 days were automatically disabled and subsequently deleted.
- the cyber team practiced simulated response to threats.
- two simulated data centre failure / cyber-attack exercises had been carried out during 2023.
- Moving forward into 2024, CMT had given approval for a simulation exercise to be undertaken on an annual basis during business hours.
- Cyber Security training was mandatory for employees / Elected Members and was refreshed on an annual basis.
- Business Continuity Plans and Business Impact Assessments were in place for all services.

In addition, the Cyber Team had successfully applied for a grant from the Department of Levelling Up, Housing and Communities (DLUHC). This funding had been provided along with a Cyber Treatment Plan. The Cyber Treatment Plan highlighted 6 areas where improvements could be implemented along with a priority. In total there were 34 individual activities across these 6 focus areas, which the Cyber Team was currently working on. The DLUHC also monitored the Council's implementation progress on a quarterly basis.

Implementing elements of the Cyber Treatment Plan had seen the Council's Microsoft Secure score (a measure of the level of maturity an organisation had in relation to preparedness for a cyber incident) increase to above 80%, which was 39% higher than that of similar organisations. The latest Cyber Security Audit (May 2022) had provided a rating of moderate assurance with regard to adequacy of system design and effectiveness of operating controls. The 3 significant recommendations and 8 housekeeping recommendations highlighted within that Audit had been addressed.

Members sought assurance / clarification on a number of issues, including: -

- If the Cyber Security training was available to Elected Members as well as staff. The Data protection Manager stated that all staff and Elected Members were required to undertake both data protection and cyber security compliance training as a legal requirement by 1<sup>st</sup> of April each year. Bespoke training was also available for Councillors each year for those who were not able to undertake it on-line.
- What the take up rate for the training was across the Council. The Director – Transformation and Digital advised that the Council strived to achieve 95%. Currently, the compliance rate was at around 85%. The completion rate was also reported to CMT as well. For non-compliance, user accounts could be suspended until training had been completed.

The Chair then invited the Data Protection Manager to present Risk 9.

The Data Protection Manager, in talking to SRR Risk 9, advised that he and the Information Governance Team ensured that the Council was able to evidence compliance of Article 25 under the general data protection regulations (GDPR) in that: -

- Data changes followed a strict procedure that ensured appropriate assessments were undertaken which provided sufficient assurance around data protection, confidentiality and information rights compliance.
- Adequate organisational and technical controls were in place to support the compliant and secure collection, creation, sharing and storage of data.
- Adequate and appropriate guidance, awareness and training to both maintain and improve on the Council's current compliance status.

- Sufficient levels of responsibility were documented throughout the Council's suite of policies, procedures, standards and guidance.

Members sought assurance / clarification on a number of issues, including: -

- If there were firewalls in place to stop users in any Directorate from accessing data from other systems held within other Directorate systems. The Data Protection Manager stated that there were, along with role-based access and level permissions.
- In referring to the risk score of SRR Risk 9, what level of risk was acceptable given that the Risk score was 16 (high risk) and the target risk score was 9, and whether the Council was doing everything possible in terms of managing the risk. The Director – Transformation and Digital advised that she would like to aim for a risk score of 9, but it also had to be appreciated that there would always likely be a high level of significant unknowns which might realistically result in the target score not being achieved. It was a balance between accepting the fact that if the Council achieved a score of 9, it may impact upon the Council's ability to deliver its services efficiently and effectively. The Director – Corporate Finance, Performance & Corporate Landlord advised that the risk was more likely around a risk score of 12 at present.
- If the potential impact of Artificial Intelligence (AI) was factored into this risk. The Data Protection Manager advised that it was indeed covered within this risk. However, AI was an everchanging and new threat which would be monitored closely via regional and national organisations.

Following deliberations on this item, the Committee requested the Director – Corporate Finance, Performance & Corporate Landlord to liaise with CMT on the following matters: -

- (1) In relation to Risk 9, whether the target risk score of 9 was realistic considering that the Director – Transformation and Digital had advised that the Council would not be able to run services efficiently or effectively at this score.
- (2) If all risk target scores could be checked to ensure that they were realistic.

In addition, the Chair commented that the format update on the SRR report was useful and requested the Director – Corporate Finance, Performance & Corporate Landlord to ask CMT if in future dates could be added against all risks.

**Resolved** that: -

- (1) the report be noted.
- (2) Risk 12 (Significant Failure of Governance – a breakdown in governance to merit formal external intervention either from Auditors or central government) be selected for review at the next meeting.

## **57 Review of the effectiveness of the Audit Committee – Action Plan Update**

A report was submitted.

(see annexed)

The Committee received a report which provided Members with an update / progress on actions agreed by the Committee at its meeting in held September 2023 in relation to the Committee's assessment of its effectiveness.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Position Statement (the "Statement") on Audit Committees sets out the key principles which CIPFA recommended for Audit Committees operating in Local Government. This Statement was supported by further guidance. The Statement and guidance had been updated in 2022 and had also been presented to Audit Committee in June 2023. An assessment against the 'Good Practice Checklist' had then been undertaken and was subsequently reported to the Committee in September 2023. The Committee had agreed some improvement actions and this report provided an update on progress in relation to implementing the agreed actions.

The Director – Corporate Finance, Performance & Corporate Landlord presented the report and highlighted the salient points contained therein.

Arising from discussions on this item, Members requested the Director – Corporate Finance, Performance & Corporate Landlord to keep a training record for all Members undertaking Audit training. The Director – Corporate Finance, Performance & Corporate Landlord agreed to this request and stated that he would also ensure that any training sessions missed by Members would be offered at later dates to suit the Members affected.

In response to a question around Standards Committee being recommended to offer Audit training to all Members, not just those who sat on Audit Committee, the Clerk reported that Standards Committee had resolved the following at its last meeting in January 2024: -

- That Audit training for all Members be included in the Member Learning and Development Programme for 2023/24.

**Resolved** that the report be noted.

## **58 Internal Audit Progress Report 2023/24**

A report was submitted.

(see annexed)

The Committee received a report which detailed that the Accounts and Audit Regulations 2015, which had come into effect on 1<sup>st</sup> April 2015, required Councils to undertake an effective Internal Audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

Internal Audit also had an independent and objective consultancy role to help line managers improve risk management, governance and control within the Council.

The Internal Audit Manager presented the report and highlighted the salient points contained therein.

In particular, in view of the fact that there appeared to be less high-risk recommendations coming through, the Committee sought assurance that the Council's tolerance had not changed leading to higher risks being moved into moderate / medium categories. The Head of Internal Audit assured Members that the Council's tolerance had not changed in any way.

Members enquired if Walsall's secondary schools, the vast majority of which were now Academies, were being audited / run properly. The Head of Internal Audit clarified that Academies did not fall under Local Authority control, so such schools fell outside of Internal Audit's jurisdiction.

Members welcomed the new report format. The Chair requested that the Director – Corporate Finance, Performance & Corporate Landlord liaise with CMT to chase up responses on all outstanding issues from 2021/22.

**Resolved** that the report be noted.

## **59 Internal Audit Key Performance Indicators (KPI) 2023/24: Quarter 3**

A report was submitted.

(see annexed)

The Committee received a report which advised that the Accounts and Audit Regulations 2015, which had come into effect on 1<sup>st</sup> April 2015, required Councils to undertake an effective Internal Audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance. This function was provided by Mazars through a contractual arrangement.

The Internal Audit contract contained key performance indicators (KPI's) against which performance was measured. This report highlighted the performance data, as at quarter 3 for 2023/24, and provided assurance to the Committee that work was being delivered in accordance with the contractual requirements.

The Director – Corporate Finance, Performance & Corporate Landlord presented the report and highlighted the salient points contained therein.

The Committee enquired if there was a maximum length or term that a company could be utilised in order to fulfil a Local Authority's Internal Audit requirements. The Director – Corporate Finance, Performance & Corporate Landlord advised that there was no maximum length a company could perform the Audit requirements for a Local Authority. Walsall had been out to tender for the contract and Mazars had been successful again. If at any point in the future a company's independence and impartiality was called into question, an alternative provider, or different team within the existing provider organisation, could be sought. However, at present there was no such concern. Members also echoed this sentiment that they held no concerns with Mazars independence or impartiality.

**Resolved** that the report be noted.

## **60 External Audit – Informing the Audit Risk Assessment 2023/24**

A report was submitted.

(see annexed)

The Committee received a report which provided Members with the external Audit Risk Assessment for 2023/24. The report provided the management responses to Grant Thornton's Annual Audit Risk Assessment for the 2023/24 financial year for the Committee's consideration.

The Director – Corporate Finance, Performance & Corporate Landlord introduced report. The representative from Grant Thornton presented the report and highlighted the salient points contained therein. In doing so, he advised that the responses had been signed off at CMT level now with the caveat that there may be additional changes required up until the end of the current financial year.

Members enquired if External Audit utilised Internal Audit reports as part of their work. The representative of Grant Thornton advised that they could not place any reliance on Internal Audit's work, but they did use that work to undertake a review of Internal Audit reports as a tool to enhance their risk assessment. In terms of the adequacy of Internal Audit, that would be picked up under value for money arrangements and within the Auditor's annual report.

The Committee also sought an update on the Pensions Authority in regard to the timing of the evaluations. The Director – Corporate Finance, Performance & Corporate Landlord advised that The Pensions Authority had implemented a new system and there have been some issues with its implementation, as widely reported in the media. The issues lay within their data in that system.

Whilst progress was being made on this issue, it was likely that it would not be complete until the summer. It was hoped that this would be resolved in time for the final Audit.

**Resolved** that the report be noted.

## **61 Internal Audit Work Plan and Internal Audit Charter 2024/25**

A report was submitted.

(see annexed)

The Committee received a report which detailed that the Accounts and Audit Regulations 2015, which had come into effect on 1<sup>st</sup> April 2015, required Councils to undertake an effective Internal Audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

Internal Audit also had an independent and objective consultancy role to help line managers improve risk management, governance and control.

The annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control was based on the work included in the plan and was an important source of assurance that supported the Annual Governance Statement.

The Internal Audit Charter was a formal document that established Internal Audit's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with the Audit Committee. There were no changes to the Internal Audit Charter for the new financial year.

The Director – Corporate Finance, Performance & Corporate Landlord presented the report and highlighted the salient points contained therein.

Arising from discussions on this item, Members requested The Director – Corporate Finance, Performance & Corporate Landlord to liaise with CMT for it to consider making Workforce (Recruitment / Retention / Development) its own Strategic Risk.

In addition, the Committee requested Internal Audit to undertake an Audit of the areas covered with SSR 8 & 9 where possible, or at least an Audit of the high-level Governance areas for each risk. However, where this would not be possible or viable, the Committee would not wish to disrupt such a critical system development.

**Resolved** that the report be noted.

## **62 Private Session – Exclusion of the Public**

**Resolved** that during consideration of the remaining item(s) on the agenda, the Committee considers that the item(s) for consideration is / are exempt information for the reason(s) set out therein and Section 100A of the Local Government Act, 1972, and accordingly resolves to consider the item(s) in private.

**63 Follow up of High Priority Recommendations**

A report was submitted.

(see annexed)

The Committee received a report which provided Members with an updated position on implementation of high priority recommendations not previously reported as “implemented” to the Committee.

The report detailed that the Accounts and Audit Regulations 2015, which came into effect on 1st April 2015, required Councils to undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards (PSIAS) or guidance. Following up audit actions raised and then agreed by management was a key part of evaluating the effectiveness of the control processes.

The Head of Internal Audit (Mazars) presented the report and highlighted the salient points contained therein.

The Committee considered the report and Members sought updates from Officers on a number of items contained within the report.

**Resolved** that report be noted.

**[Exempt information under paragraph 3 of Schedule 12a of the Local Government Act 1972].**

*Councillor Nawaz, having declared an interest in the item, left the meeting before this item was considered.*

**Termination of meeting**

There being no further business the meeting terminated at 7.41pm.

Chair: .....

Date: .....