

Audit Committee and Audit Committee (Advisory) - 23 May 2023

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held at Council Chamber, Town Hall, Upper Street, N1 2UD on 23 May 2023 at 7.00 pm.

Present: Councillors: Councillor Nick Wayne (Chair), Councillor Flora Williamson (Vice-Chair), Councillor Janet Burgess MBE and Councillor Sara Hyde.

Also Present: Independent member: Alan Begg (Co-Optee) and Alan Finch (Co-Optee)

Councillor Nick Wayne in the Chair

56 APOLOGIES FOR ABSENCE (Item A1)

Apologies received from Councillor Ward

57 DECLARATION OF SUBSTITUTE MEMBERS (Item A2)

None.

58 DECLARATIONS OF INTEREST (Item A3)

Alan Finch, an independent member on this committee has declared interest for item B1 as part of Alan's work with the LGA he is the LGA's main liaison with PSAA which is the company responsible for monitoring the performance of external audit firms.

59 MINUTES OF PREVIOUS MEETING (Item A4)

Agreed.

60 ARRANGEMENTS FOR AUDIT COMMITTEE 2023/24 AND APPOINTMENTS TO PENSIONS SUB-COMMITTEE, BOARD AND PERSONNEL SUB-COMMITTEE (Item C1)

RESOLVED:

(a) That the membership appointed by Council on 11 May 2023, terms of reference and dates of meetings of the Audit and Audit (Advisory) Committee for the municipal year 2023/24, as set out at Appendix A to the report, be noted.

Pensions Sub-Committee

(b) That the size of the Pensions Sub-Committee and its Terms of Reference, as detailed in Appendix A of the report, be confirmed.

(c) That the following members be appointed to the Pensions Sub-Committee for the municipal year 2023/2024, or until successors are appointed:

<i>Councillors</i>	<i>Substitute Members</i>
Paul Convery (Chair)	Dave Poyser
Diarmaid Ward (Vice-Chair)	Jenny Kay
Satnam Gill OBE	
Michael O'Sullivan	

(d) That Councillor Paul Convery be appointed as Chair and Councillor Diarmaid Ward be appointed as Vice-Chair of the Pensions Sub-Committee for the municipal year 2023/2024, or until successors are appointed.

Personnel Sub-Committee

(e) That the size of the Personnel Sub-Committee and its Terms of Reference, as detailed in Appendix A of the report, be confirmed.

(f) That the following members be appointed to the Personnel Sub-Committee for the municipal year 2023/2024, or until successors are appointed:

<i>Councillors</i>	<i>Substitute Members</i>
Anjna Khurana (Chair)	All other Executive members
Kaya Comer-Schwartz	Dave Poyser
Diarmaid Ward	Jason Jackson
Satnam Gill OBE	Jenny Kay
Janet Burgess	Jilani Chowdhury
Diarmaid Ward	

(g) That Councillor Anjna Khurana be appointed Chair of the Personnel Sub-Committee for the municipal year 2023/24, or until a successor is appointed.

Pensions Board

(h) That the membership and terms of reference of the Pensions Board be noted, as set out in Appendix A of the report.

61

REVIEW OF COUNCIL CONSTITUTION (Item C2)

The Interim Director of Law & Governance and Monitoring Officer updated the committee on the progress of the constitution review. This matter was previously considered at the 13th March 2023 meeting, at that time the Audit Committee approved the Terms of Reference (TOR) for a review of the constitution to ensure it is fit for purpose.

An additional document was tabled, including proposed revisions to the Officer Employment Procedure Rules.

The following points were noted in the discussion:

- The Committee considered the proposed amendments to the Audit Committee terms of reference, in particular the responsibilities for byelaws, polling districts and the calculation of council tax base. It was queried if it would be appropriate for these functions to be allocated to other committees or decision-making bodies. In response, officers advised that these were non-executive functions and could not be considered by the Executive.
- The report suggested disbanding the Pensions Sub-Committee and establishing a Pensions Fund Committee. The Chair suggested changing the name of the Pension Fund Committee to the Pensions Committee. It was noted that a new TOR would be needed for the Committee.
- The report suggested that the Personnel Sub-Committee becomes a new Employment and Appointments committee.
- Part of the remit of the Personnel Sub-Committee has been to approve special severance payments for departing officers over £100,000. However, new statutory guidance sets out that this should now be approved by a vote of Full Council, with special severance payments between £20,000 and £100,000 approved by the Chief Executive and the Leader of the Council. Members felt that there should remain member oversight of these special severance payments. The Committee emphasised the need for transparency, public accountability and democratic oversight. The Committee considered it was important to scrutinise these decisions – either in Audit Committee or in the Personnel Sub-Committee.
- The Director of Human Resources noted that the details of special severance payments were confidential and could not be considered in the public domain. As these decisions often had to be made at pace, there would be practical issues to overcome in introducing advance member oversight arrangements, such as the number of members quorate for these short notice meetings. Audit Committee already had a role in relation to scrutinising these payments which are included in the annual accounts. It was agreed to consider how best to strengthen this oversight further outside of the meeting.
- It was suggested that Phase 2 of the constitution review should have a focus on format and style and address accountability of decision makers mainly around officer delegations as well as other sections which will need a steer from members. Some of the work in phase 2 has started, such as looking at financial regulations and procurement rules.
- The Committee requested the Employment and Appointments Committee produce an annual or bi-annual report on their activity.

RESOLVED:

- That the work of the Constitution Review Working Group in reviewing the constitution and proposing revisions to ensure legal compliance be noted.
- That the tabled amendments to the Officer Employment Procedure Rules be endorsed;

- That the Interim Director of Law and Governance be authorised to make any subsequent necessary changes to the report, prior to submission to Council in July, following consultation with members of the Audit Committee;
- That the following recommendations be made to Full Council:
 - Agree the proposed revisions to Part 1 of the Constitution as detailed in Appendix 1;
 - Agree the proposed revisions to the Articles of the Constitution as detailed in Appendix 2 and adding the Employee Code of Conduct as detailed in Appendix 5;
 - Adopt the revised Officer Employment Procedure Rules, which now incorporate the previously separate protocol document, in Appendix 4;
 - Adopt revised Terms of Reference for the Audit Committee to establish it as the Audit and Risk Committee including authority to revise and keep up to date the Council's Financial Regulations and Procurement Rules as detailed in Appendix 5;
 - Adopt revised Terms of Reference for the Standards Committee as detailed in Appendix 5;
 - Adopt new Terms of Reference for the Pension Sub-Committee to establish it as a Pension Fund Committee appointed by the Council as detailed in Appendix 5;
 - Adopt new Terms of Reference for the Pension Board as detailed in Appendix 5;
 - Adopt new Terms of Reference for the Personnel Sub-Committee to establish it as an Employment and Appointments Committee appointed by the Council as detailed in Appendix 5.
 - Adopt revised Terms of Reference for the Statutory Officer Grievance Committee and Appeals Committee so that it only applies to the Chief Executive as detailed in Appendix 5;
 - Agree a Review of the Overview and Scrutiny function to include revised Terms of Reference for the Scrutiny Committees and Scrutiny Procedure Rules.

62 **EXTERNAL AUDIT REPORT (Item C3)**

The Corporate Director of Resources detailed the progress on the 21/22 audit process along with colleagues from Grant Thornton, the Council's external auditor. It was noted that there had been good progress since the previous Audit Committee meeting on the 13th March 2023. The final accounts are now expected to be with the Audit Committee on the 10th of July meeting.

The following points were noted during the discussion:

Audit Committee and Audit Committee (Advisory) - 23 May 2023

- It was explained to the committee that the delays in completing the final accounts report so far have been mostly related to pensions matters. It was explained that this was a wider issue across the sector.
- It was noted that this was the final year with external auditors Grant Thornton and officers will start to prepare for the work with KPMG the new external audit partners.
- The Chair thanked colleagues working on the external audit report both within the council and Grant Thornton for all their hard work.
- The Director of Finance set out the interim report and stated that there were no significant recommendations however there are several improvement recommendations. Overall the audit report has been a positive report for the Council, and there is recognition around the good financial management of the council within the report.
- It was explained to the committee that the Pension Fund net liability in layman's terms was the activity of triennial evaluation for the pension fund which would inform the council what contributions needed to be made. The triennial evaluation had caused delays in audits across the sector. The Department for Levelling Up, Housing and Communities (DLUHC) are currently working with others to find solutions to these types of issues. It was noted that there is no financial impact of this.
- It was explained financial data was on the whole accurately recorded however generally in local government there are concerns on the variability of non-financial data. One recommendation on how the council could do things differently is to implement a data quality policy which would address how the systems are reviewed and what type of data is accepted.
- The Committee noted the financial risks across the local government sector and that some local authorities had been subject to government intervention and special measures. The Committee was informed that, due to the council's robust financial management, Islington was unlikely to face such interventions. The external auditors also noted that the council's arrangements with children with special educational needs is a real strength in comparison with other councils, and can be seen as a good indicator of good financial management and wider rigour in the process.
- It was agreed that further review of the pension fund was not necessary to be presented at the Audit Committee and could be better suited to the Pension Board.
- Members discussed relaying the positive feedback from the External Auditors to all members, highlighting the work of the Finance Team in contributing to sound financial management.

RESOLVED:

- That the contents of the report be noted.

63

CYBER DEFENCE ANNUAL REPORT (Item C4)

The Director of Digital Services introduced the report. The following main points were noted in the discussion:

- A new chief officer to manage cyber security threats had been successfully recruited.
- The Director of Digital Services assured the committee that there were currently no active cyber security incidents and summarised the protections the council had in place.
- A member asked what procedures there are in place to protect the public's data when we procure services from organisations. The Data Protection Act and GDPR legislation provides a framework for protecting data when we enter into contracts, and it also puts an obligation on the company to inform the council of any data breaches. Officers also explained how the council assesses the security of third party systems.
- A business continuity exercise was carried out recently, focusing around a cyber event and showed all possible eventualities. There were a number of lessons learned from this exercise, although most were fairly straightforward, for example, when to use paper based records, keeping up to date contact sheets, and the importance of clear communication.
- The overarching council risk report in relation to cyber risk shows that the external risk continues to increase, however there are measures in place to protect against this.
- The Audit Committee requested that future reports include further description of cyber security activity and the intended outcome. It was also suggested that future reports could highlight any significant risks (both hardware and software) that should be escalated to the Audit Committee.

RESOLVED:

That the report and exempt appendix be noted as a statement of the current position for the council's cybersecurity assurance programme and the ongoing audits and activity.

64

CYBER DEFENCE ANNUAL REPORT - EXEMPT APPENDIX (Item F1)

Noted.

CHAIR