



## Minutes of the meeting of the Audit & Governance Committee held on 30 January 2025 when there were present:-

Chair: Cllr N Harvey

Cllr N Benson  
Cllr L Breading  
Cllr M Dearson

Cllr A Harbinson  
Cllr J Huntman  
Cllr L Larman

## APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr Brooke, Cllr Edwards and Cllr Wimbledon.

## OFFICERS PRESENT

A Hutchings - Chief Executive  
A Law - Assistant Director, Legal and Democratic Services (MO)  
L Wosko - Assistant Director, Finance & Procurement (S151 Officer)  
R Kleinberg - Fraud Manager (Thurrock Council)  
A Barnes - Head of Internal Audit (Southend City Council)  
H Boyd - Democratic Services Officer

## 55 DECLARATIONS OF INTEREST

There were none.

## 56 MINUTES

The Minutes of the meeting held on 28 November 2024 were agreed as a correct record and signed by the Chair.

## 57 TREASURY MANAGEMENT UPDATE: SECOND QUARTER STAGE

The Committee considered the report of the Assistant Director, Finance & Procurement, which provided an update on quarterly treasury management activities up to Quarter 2.

The report outlined that borrowing remained in line with expectations, with no new borrowing undertaken and all interest payments as anticipated. Borrowing of £26 million incurred interest of £784,000, with debt spread

across both the Housing Revenue Account (HRA) and the General Fund. A remainder of a loan from 2019 was noted; the HRA had previously been required to buy out its fund, a process undertaken by all authorities over a period of 30 to 40 years.

Regarding investments, interest receivable was reported to be lower than estimated, with a forecast of £95,000 for the year. Although the Bank of England had not reduced its base rate, the average balance available for investment had been lower than expected. While some offsetting had occurred, returns still fell below target. The average interest rate achieved was 5.34%, exceeding the SONIA benchmark rate of 5.12%. It was noted that, as base rates increased, the authority was slightly behind the curve, but with rates now expected to fall it was anticipated that future investments would perform ahead of the benchmark.

Security levels remained strong, with the credit rating score at 4.72, exceeding the target of 4, as shown in the report's rating scale. Liquidity levels averaged 126 days, reflecting the inclusion of a few long-term investments. While future base rate movements remained uncertain, it was expected that rates would decrease and continue to decline throughout 2025.

A query was raised regarding the lower than expected interest income, seeking clarification on whether the £93,000 figure referred to the first two quarters or the full year forecast. It was confirmed that this was the expected figure for the whole year. The reduced rates and lower interest income had been forecast for 2025/26 and incorporated into the budget setting process, which was scheduled to be presented to Council on 19 February.

Further clarification was requested on why investment levels had been lower than expected. It was explained that forecasts took spending plans and reserve utilisation into account. As capital programme changes and reserve usage varied, differences in investment levels occurred. A discussion followed regarding investment ratings, with confirmation that investments were made in line with the strategy, primarily in AA and A rated investments. It was noted that lower-rated investments typically offered higher returns due to increased risk, but an A rating was still considered a relatively safe investment, while anything below this level would be deemed lower grade.

A request was made for additional information on investment processes, with Members expressing interest in a training session. It was agreed that this would be arranged separately, with external treasury advisers providing guidance on key considerations.

### **Resolved**

To note the second quarter treasury management report.

### 58 TREASURY MANAGEMENT AND INVESTMENT STRATEGIES 2025/26

The Committee considered the report of the Assistant Director, Finance & Procurement providing an update on Treasury Management and Investment Strategies for 2025/26. The annual report had been presented to the Committee ahead of the budget report to Council in February 2025. Treasury management covered borrowing arrangements and set out limits on how much could be borrowed.

Paragraph 10 highlighted yellow in Appendix 1 remained in draft while the capital programme was being finalised, but no significant variations were expected. The investment strategy outlined the counterparties with which investments could be made and the corresponding values. It was confirmed that no changes were being proposed for 2025/26, as a review of the documents had indicated no benefits in making amendments. Previous changes had focused on increasing limits to open investment opportunities, but no adjustments were necessary at this stage. The strategies remained substantially the same as in the previous year.

Members queried whether the Council was borrowing at a higher rate than it was lending. Officers advised that borrowing rates were currently higher, which was why no external borrowing had been undertaken. Ensuring sufficient cash reserves to meet financial needs was essential, and the treasury management team monitored forecasts a year in advance to anticipate peaks and troughs. While borrowing could be used, if necessary, cash reserves had allowed for internal borrowing, making external borrowing less advantageous. However, £1.5 million in external borrowing was anticipated to manage cash flow.

Officers clarified, in response to a Member question relating to £10million identified which was unlikely to be needed for cash flow purposes within the next two to five years, that this amount would be invested with a decision to be made on the duration, as longer-term investments offered better rates while still considering the need to forecast future requirements. The approach to investment remained cautious, with a preference not to exceed two years due to market uncertainty.

Cllr N Harvey moved a Motion, seconded by Cllr L Breading, to approve the recommendation set out in paragraph 3.1 of the report and this was agreed unanimously on a show of hands.

#### **Resolved**

To approve the Treasury Management and Investment Strategies for 2025/26 for inclusion in the 2025/26 budget report to Council.

### 59 REVISED INTERNAL AUDIT STANDARDS UPDATE

The Committee considered the report of the Head of Internal Audit, which provided an update on the revised Internal Audit professional standards.

The Committee was apprised of changes made to the Global Internal Audit standards (GIAS). The Internal Audit Standards Advisory Board had indicated that there would not be a separate document for the UK public sector; it was anticipated that public sector considerations would be captured as an appendix to the GIAS.

Section 5 of the report explained the five domains:

- Purpose of Internal Auditing
- Ethics and Professionalism
- Governing the Internal Audit Function
- Managing the Internal Audit Function
- Performing Internal Audit Services

The overall approach involved adjustments to existing practices rather than a radical overhaul. Section 6 highlighted areas that would need to be addressed, although no significant changes were required.

Members noted that the changes were due to come into effect in 2025 and referred to section 6.3 of the report, which identified areas requiring more substantial work and asked for confirmation that the necessary changes would be in place by April. Officers confirmed that consideration had already been given to the required adjustments and preparations were underway to ensure they would be implemented on time. While the final details had not yet been completed, work was progressing to have everything in place by 1 April 2025. If this was not achieved, an update would be provided to the Committee.

#### **Resolved**

To note the update provided on revisions to Internal Audit Standards.

### 60 INTERNAL AUDIT – QUARTERLY PROGRESS REPORT

The Committee considered the report of the Head of Internal Audit, which provided an update on progress in delivering the 2024/25 Internal Audit Strategy. This was a regular report to the Committee, originally approved in 2024, and contributed to assurances on governance and risk management.

Appendix 1 contained a status update on each audit, with the work being kept under review to address any challenges that arose. Since the last Committee meeting three changes had been made, as outlined in section 4.2 of the report. Progress had been made with nearly half of the audits completed and efforts were underway to resolve any blockages. Approximately one-third of the work remained in progress, with plans in place for completion. Although

slightly behind the preferred schedule, arrangements had been put in place to keep the work on track; an update would be provided in July 2025.

The Audit Apprentice had settled in well and efforts were being made to fill an Audit Manager position, with an update expected at the next meeting. Areas receiving partial assurance included sickness, performance, and ICT, with management working to implement necessary changes. Actions from previous reports had been addressed, but improvements had been limited, particularly within Housing. A temporary staffing structure had been in place during the service review and the Housing Improvement Board had stepped in to address outstanding issues with work undertaken late last year, which was included in the current action plan.

Members raised concerns about the reduced number of performance indicators being reported. It was explained that this was due to resource constraints, with some indicators removed to allow focus on higher priority work. However, once resources improved, these indicators would be reinstated. This change did not affect the audit itself but only the metrics reported to the Committee.

It was confirmed that PwC and SARs also provided substantial support, alongside two individual contractors with specialist skills. Contractors were engaged to complete audits from start to finish, with oversight from internal staff to ensure quality and continuity. Treasury management audits remained in-house due to the team's specific expertise.

The Committee discussed ongoing staffing gaps, with four vacancies still unfilled. While there was interest in reviewing salaries to attract candidates, it was acknowledged that the issue extended beyond local control, as Southend City Council employed the staff. The Section 151 Officer supported this view, noting that previous salary increases had not improved recruitment, as the right candidates were simply not available in the market.

Audit progress was reviewed, with 26 jobs in progress, eight completed since the last meeting, and 18 remaining. Assurance was given that although some audits had been completed, they could not be marked as such until all agreements were finalised. However, confidence remained that all work would be completed by the July 2025 report. Members also requested greater visibility of outstanding actions and potential roadblocks. It was agreed that a report with recommendations would be presented in March 2025.

Concerns were raised about external contractors delivering on time and to the required quality. To mitigate risks, fortnightly meetings were held with contractors to review progress and address any potential gaps. Financially, the audit work remained within budget, with careful resource management ensuring that the service would be delivered without exceeding allocated funds.

In response to debate around the types of risk highlighted within the report, Officers confirmed that more commentary would be added to the report in future to provide further clarity.

It was noted, in respect of Treasury Management, that delays had resulted from internal sickness and competing priorities. However, work was now progressing, with necessary responses being implemented. The high fraud risk rating of Treasury Management, compared to the low risk assigned to the General Ledger (GL), was clarified. While the GL played a role in financial oversight, Treasury Management involved more complex controls, including dual authorisation, to mitigate risks associated with high-value transactions.

The LGA peer review had raised concerns about the Council's financial awareness, which was recognised as a risk. Officers confirmed that this issue had been addressed in the Financial Sustainability Audit. However, the concern related more to budget-setting processes than to financial transaction management.

Performance management and KPIs were discussed, with concerns about the lack of evidence. It was explained that performance management fell under the Head of Paid Service and was addressed through annual appraisals. A complete overhaul of the appraisal system was planned, aligning KPIs with corporate priorities for the new municipal year. However, individual staff performance reporting fell under HR policies rather than the KPIs reported to Members on a quarterly basis.

Members requested that an update on the 15 outstanding recommendations relating to fire safety and Housing be provided at the next meeting. Officers confirmed that these actions had been incorporated into the Housing Improvement Board's work plan and were being treated as a priority.

A minor issue was noted in Appendix 1, where department totals did not add up correctly. It was confirmed that this was a typographical error and would be corrected. Additionally, the accuracy of rounding in one of the tables would be reviewed.

The Audit Plan's progress was discussed, with only 7% completed. Some outstanding work from the previous year had contributed to delays, prompting a discussion about allocating additional resources. A request was made to include a timeline for the 26 ongoing jobs to identify potential blockages. It was clarified that the focus remained on minimising administrative burdens to prioritise audit work.

### **Resolved**

To note the progress made delivering the 2024/25 Internal Audit Strategy.

### 61 COUNTER FRAUD & INVESTIGATION – Q1 AND Q2 PERFORMANCE REPORT

The Committee considered the report of the Assistant Director for Counter Fraud, Enforcement, and Community Protection, which provided an update on quarterly counter fraud and investigation performance.

In Quarter 1, 22 intelligence reports had been received. There were 5 active investigations with a total value of £47,100. In Quarter 2, the number of intelligence reports was 18, with 8 active investigations with a total value of £244,736. Much of the activity during both quarters had involved collaboration with the Leadership Team and efforts to raise awareness, as fraudsters continued to test the system. This was reflected in the increase in active investigations during Quarter 2.

A key point noted was the joint effort between the investigation team, the neighbourhood team, and social housing on Canvey Island. This involved visits to 18 addresses on an estate, where all occupied properties were fully audited. As a result, one property was identified as being misused and was subsequently brought back into legitimate use.

Members enquired about the most common type of fraud experienced locally. It was explained that, for local authorities, social housing fraud was a primary concern due to the limited availability of housing. The area's proximity to London and the Thames made it an attractive target for fraudsters, who often sublet properties to generate income while securing alternative accommodation elsewhere. This type of fraud was also one of the most prevalent at the national level.

It was confirmed, in respect of the illicit use of the identified property, that the case was still under active investigation and accordingly no further details could be provided.

In response to a Member question as to whether there was a policy in place to support victims of fraud who were not directly connected to the Council, officers confirmed that housing services were available to offer support. In cases where individuals had unknowingly sublet from fraudsters, they were usually professionals capable of securing housing on the private market. However, it was acknowledged that more people could be at risk and the Council remained committed to ensuring appropriate support was available.

The financial impact of fraud was also discussed, with a noted increase in the estimated value of fraudulent activity between the two quarters. In Quarter 1, the identified fraud value was £47,000, while in Quarter 2, it rose to £244,000.

Officers clarified that the figures were based on available evidence and fluctuations in fraud values were influenced by recent government changes to right-to-buy discount rates, which had led to a surge in applications. These

applications would continue to be monitored and assessed for potential fraudulent activity.

**Resolved**

To note the report.

The meeting closed at 8.05 pm.

Chair .....

Date .....

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