

AUDIT AND GOVERNANCE COMMITTEE

Meeting: Thursday, 1st October, 2020
at 2.00 pm. (Virtual Meeting)

Present: Councillors Burns (Chairman), Assouad (Vice-Chair), Ronson, Shirley and M. A. Thomson.

Officers Present: Susan Roberts (Director of Resources), Keith Jackson (Head of Internal Audit), Debbie Storr (Head of Legal and Governance & Monitoring Officer), John Penfold (Corporate Support Manager), Brooke Parsons (Corporate Support Assistant), Jane Holden (Principal Legal Officer), Sharron Rushton (Democratic Services Officer) and Sandra Kemsley (Democratic Services Officer).

Also Present: Gareth Kelly from Grant Thornton.

24 Apology for Absence

An apology for absence had been received from Councillor Callister.

25 Declaration of Interest

Councillor Shirley declared an other registrable interest in Agenda Item No. 10 – Internal Audit Progress Report (Minute No. 29) as he was a Trustee of Dalton Community Association.

26 Minutes

The Minutes of the meeting held on 30th July, 2020 were taken as read and confirmed.

27 Public Participation

RESOLVED:- To note that no questions, representations, deputations or petitions had been received in respect of the meeting.

28 Work Plan

The Director of Resources reported that the work plan sets out the business of the Audit and Governance Committee to provide a forward plan and to demonstrate that the terms of reference were covered.

The work plan was presented to each Audit and Governance Committee meeting to provide a forward plan of business.

The work plan was intended to demonstrate that the terms of reference were covered. The work plan reflected the changes to the timeframe for closing the 2019-2020 accounts and was the Work Plan specifically for 2020-2021.

Previous practice had been to maintain a rolling Work Plan but the rescheduling of business in this year had demonstrated that the Work Plan would be best tailored to each year.

Officers would prepare the 2021-2022 Work Plan for the meeting scheduled for March 2021 to continue to provide a forward plan.

The Work Plan associated the reports that would be presented against the terms of reference along with the reporting officer and the scheduled committee meeting. Where a report was not required that would be noted in the covering report.

There was no business to report regarding Restricted Assurance Monitoring for this meeting. The appointed auditor would provide a verbal update in place of a report on the Progress Report and Sector Update.

A new item had been added to the Work Plan which was an annual report of the Chair of the Audit and Governance Committee; this had been included to summarise the business for the year and to demonstrate the effectiveness of the Committee.

The work plan was attached as an appendix to the report.

RESOLVED:- To note the Work Plan.

29 Internal Audit Final Reports

The Head of Internal Audit reported that Internal Audit performed audits in accordance with the approved Annual Plan which was based on a risk assessment of the internal control environment. On completion, the final reports were presented to this Committee for consideration.

There had been one final report appended for consideration, as follows:-

19-13 Payroll - Substantial Assurance

The report contained one important issue and two minor issues. All recommendations had been accepted by management unless otherwise stated.

RESOLVED:- To note the Internal Audit Final report.

30 Internal Audit Progress Report

The Head of Internal Audit presented the Internal Audit Progress Report for the period 1st April, 2020 to 18th September, 2020.

There had been no Priority One recommendations made since the previous Committee.

The report contained a statistical summary of the number of audit recommendations. It was noted that 3 recommendations had been fully accepted. Each of the recommendations had been assigned a Priority Grade 1-3, 1 being major issues and 3 being minor issues. 1 had been rated Priority 2 and 2 had been rated Priority 3.

The Head of Internal Audit stated that it should be noted that between April and September 2020 Internal Audit had undertaken almost exclusively the process of evaluating and processing Covid-19 Support Grants, which had clearly impacted on the delivery of coverage.

Only three draft reports had been issued since 28th July, 2020.

The Head of Internal Audit also reported that the Public Sector Internal Audit Standards (PSIAs) required Internal Audit to be measured in terms of performance. The indicators below provided information over the arrangements and effectiveness of Internal Audit.

Indicator		2020/21
1	Percentage of Draft reports issued within 10 working days of completion of audit fieldwork.	100%
2	Percentage of Management Responses received within 20 working days of issue of the Draft report.	0%
3	Percentage of Final reports issued within 10 working days of receipt of management response.	100%
4	Percentage of Priority 1 and Priority 2 Recommendations acceptable to the audit client.	100%

Members agreed that credit should be given to the Internal Audit Team for the excellent performance.

RESOLVED:- To note the Internal Audit progress report.

31 Local Government Ombudsman Annual Report

The Monitoring Officer presented the Local Government Ombudsman Annual Review letter 2019/2020. The outcomes of the complaints received had been broken down into total numbers received, complaints decided to undertake an investigation and the number upheld.

During this reporting period the Local Government Ombudsman had made a decision in 1 case. In comparison 1 decision was made in 2018/19 and 0 decisions in 2017/18.

For 2019/20 1 case was upheld and the Council ensured the appropriate action had been taken in compliance with the recommendations made by the Ombudsman. The compliance with the Ombudsman recommendations rate for this period was reported as 100%. The annual review findings were also available on the Local Government Ombudsman website.

The case that was upheld was a planning matter where there was avoidable delay and unclear communication by the Council in dealing with planning conditions which caused confusion and put the complainant to avoidable time and trouble. The remedy actions included an apology and other actions the Council were required to take to progress the matter which were being complied with.

The Council operated a two stage complaints process before matters were referred to the Local Government Ombudsman; a separate report on the agenda provided an update on the Council's compliments and complaints process.

A copy of the letter and the annual statistics had been attached as appendices for information.

RESOLVED:- To note the Local Government Ombudsman Annual Report 2019/2020.

32 Compliments, Customer Feedback and Complaints 2019/2020

The Monitoring Officer reported that feedback was very important to help the Council better understand customer's needs and concerns and could help identify possible avenues of service improvement. The report presented an update to Members on the number of complaints and compliments received during 2019/20.

The complaints process had been reviewed a number of times over the years, and whilst the LGO annual report was presented regularly to Members, complaints and compliments generally had not.

If Members wished, it was intended that a regular report would be presented to the Audit and Governance Committee. All complaints and compliments were managed and recorded by the Democratic Services Team. It was intended that quarterly reporting on complaints and compliments would be presented to Management Team and Overview and Scrutiny Committee.

During 2019/20 there were 52 Stage 1 complaints received compared to 62 in the previous financial year. The reasons for the complaints were wide and varied and there was no underlying trend in those two years. Appendix 1 showed the complaints received by service area for both Stage 1 and Stage 2 (appeal) complaints.

The complaints system had changed in March 2019 from three stages to two stages prior to any referral to the LGO. 73% of complaints received were answered within the 10 working day target for Stage 1 complaints, and 100% were answered within the 20 working day target for stage 2 complaints. The team would continue to work with Officers to increase the percentage against the target at Stage 1.

Appendix 1 also showed a more detailed breakdown of the Stage 1 complaints by Department and also by complaint category. The data collated was useful to identify trends and assist with service improvements. No underlying trends had been identified during 2019/20.

During this reporting period 7 compliments were received and noted corporately. Details of service area were shown in Appendix 2. This did not include the visitor comments at the Dock Museum where there were 244 positive visitor comments for the period August 2019-20 and 11 negative comments mostly regarding no access to the bottom floor. Moving forward the Council were requesting service areas to ensure that any compliments received were logged corporately for future reporting.

The Annual Review Letter from the Ombudsman was a separate item on the agenda. There had been no public interest reports received.

RESOLVED:- To note the Compliments, Customer Feedback and Complaints received during 2019/2020.

33 Standards - Best Practice Recommendations

The Monitoring Officer submitted a report to consider an update with regard to the Best Practice recommendations put forward by the Committee on Standards in Public Life in their review report on Local Government Ethical Standards (January 2019).

Some of the recommendations from the Committee of Standards in Public Life recommended changes to Government which would require legislative change to introduce them. To date no legislative changes had been introduced.

The Committee on Standards in Public Life was an advisory body sponsored by the Cabinet Officer and examined concerns about standards of conduct by holders of public office, and makes recommendations as to changes in present arrangements which might be required to ensure the highest standards of probity in public life.

The Committee for Standards in Public Life in their report also identified some best practice recommendations which represent a benchmark for ethical practice and which they expect any local authority should implement. Feedback on the best practice recommendations was being sought in the Autumn on progress on these and this report presented an update to the Audit and Governance Committee.

A list of the Best Recommendations with comment and update had been attached as an appendix to the report.

Guidance around the code was attached elsewhere on the agenda. The Monitoring Officer was currently reviewing the Council's Standards Arrangements which would be brought to a future meeting of the Committee.

RESOLVED:- To note the update against the Best Practice recommendations.

34 Recruitment of Independent Person(s)

The Monitoring Officer reported that at Council on 29th September, 2020, Members were asked to confirm the extension of the appointment of Stephen Murray as an Independent Person whilst a recruitment process was undertaken.

Under the provisions of the Localism Act 2011, the Authority was required to appoint at least one Independent Person to assist the Authority in promoting and maintaining high standards of conduct amongst all its members, whose views must be sought, and taken into account, before any decision on an allegation which has been investigated is taken.

Appointments were made following an advertisement, application and interview process and with a positive vote by a majority of councillors as required by the Localism Act.

The Local Authorities (Standing Orders)(England)(Amendment) Regulations 2015 required the Council to invite relevant Independent Persons to be members of a Panel appointed by the authority under Section 102(4) of the Local Government Act 1972 for the purpose of advising the authority on matters relating to dismissal of relevant officers of the authority. Such invitation must be issued to all relevant Independent Persons with a view to appointing at least two Independent Persons to the Panel. The

Thursday, 1st October, 2020

relevant officers to which these provisions apply by legislation are the head of the authority's paid service, the chief finance officer or the monitoring officer.

The Independent Person has the following roles to perform:

Standards

- (i) The view of an Independent Person must be sought and taken into account by the Council before it makes a finding that any Member has failed to comply with its code of conduct or imposes any sanction;
- (ii) The views of an Independent Person may be sought on whether to investigate a complaint and how to deal with a particular allegation; and
- (iii) Any Member against whom an allegation has been made (including a parish councillor) may consult the Independent Person regarding that allegation.

Dismissal of Relevant Officers

- (iv) The Independent Persons may be appointed to a Panel which would provide advice, views or recommendations to the Council before a vote was taken at a meeting on whether or not to approve the dismissal of a relevant officer.

Individuals appointed as an Independent Person must be recruited through a formal procedure.

- (a) the vacancy must be advertised in such manner as the authority considers is likely to bring to the attention of the public;
- (b) an applicant has to submit a formal application to be appointed as an Independent Person;
- (c) the Independent Person's appointment must be approved by a 'majority of the members of the authority'

Appointment must be made by full Council.

An Independent Person must not be:

- a) a member, co-opted member, or officer of Barrow Borough Council;
- b) a member, co-opted member or officer of a parish council that falls within the Borough area; or
- c) a relative or close friend of any of the above.

An Independent Person may also not be appointed if at any time during the preceding five years the person was a member, co-opted member or officer of the authority, or a member, co-opted member or officer of a parish council within the Borough.

Until recently the Council had two Independent Persons. Council had been asked at its meeting on 29th September to extend the appointment of Stephen Murray until 1st October 2021.

Members may wish to consider whether they wished to recruit more than one Independent Persons and for what period. The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 require two Independent Persons. The Best Practice recommendations from the review by the Committee on Standards in

Thursday, 1st October, 2020

Public Life on Local Government Ethical Standards recommend that Local Authorities should have access to at least two Independent Persons. They were also recommending that the Localism Act should be amended to require that Independent Persons were appointed for a fixed term of two years, renewable once.

Within Cumbria, there was opportunity to call upon neighbouring Independent Persons if needed. Whilst the recommended timescale was noted it was not in legislation yet, and the Council had previously struggled to attract interest in the role.

It was proposed that the recruitment exercise would be undertaken based on the following principles:

- The recruitment exercise to include advertisement, application and interview process;
- That recruitment of two Independent Persons be sought;
- The interview panel to consist of the Monitoring Officer, Chair of Audit and Governance Committee and two other members from the Audit and Governance Committee, to include one Opposition Member;
- The appointments to be confirmed at Full Council with a positive vote by a majority of councillors
- The appointments to be for 4 years;
- The Independent Person “job description” to be approved by the Monitoring Officer;
- The statutory restrictions detailed in the report shall apply;
- Any application from an existing Independent Person to be considered on its merits.

It was moved by Councillor Burns and seconded by Councillor Thomson, and

RESOLVED:- It was unanimously agreed:-

1. To note and approve the recruitment process for the appointment of Independent Person(s); and
2. To advertise for 2 persons for 2 year terms with an option to extend for a further 2 years.

35 Code of Conduct and Social Media Guidance

The Monitoring Officer’s report presented revised guidance following adoption of amendments to the Code of Conduct for Members and new social media guidance to support the Member Code of Conduct and Social Media Protocol.

On 30th July 2020 the Audit and Governance Committee considered the draft Model Code of Conduct which had been produced by the Local Government Association in response to recommendations arising from the Committee on Standards in Public Life following their report on Local Government Ethical Standards which was published in January 2019. The recommendations provided some best practice recommendations, one of which included a recommendation to the Local Government Association that they create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government.

In noting the consultation, Members of the Committee asked that an earlier review be undertaken of the Council's code with regards in particular to bullying and social media provisions with a report for consideration by Members at the earliest opportunity.

Following consultation with Members the Council on 29th September considered revisions to the Code, which had been appended to the report.

Social Media was also flagged as an area where more guidance was needed. Sitting along side the Code the Council had a Social Media Policy which all members should be aware of. Additional guidance had been drafted to support this and the revised code had been attached at appendices to the report,

The Member Training Working Group discussed the range of guidance and protocols that were available to members, and requested that a simple form of signposting should be drafted to aid their reference when needed. This was in the process of being considered. The signposting would also include reference to the recently published LGA guidance on handling intimidation which had been circulated to all Members.

Training would be provided on the new provisions and a report would be brought back to members as appropriate.

It was moved by Councillor Assouad and seconded by Councillor Shirley, and

RESOLVED:- It was unanimously agreed:

1. To receive an update on revisions to the Member Code of Conduct as considered by Council on 29th September 2020; and
2. To endorse the Code and Social Media Guidance and incorporate a review within the Committee's work programme.

36 Gifts and Hospitality Register

The Monitoring Officer presented a report to review the register of interests and gifts and hospitality for employees for the period September 2019 to September 2020.

The Officer's code of conduct for Barrow Borough Council Employees provided guidance on interests and gifts and hospitality. The Council had Hospitality Guidance which provided information as to how employees should treat any offers of gifts and hospitality.

There was a standard corporate form and offers of hospitality that were declined should also be included in any declarations.

The Audit and Governance Committee considered the Council's compliance with its own and other published standards and controls and considered the arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

It was proposed the Committee had an overview of the Employee Register and reviews on an annual basis.

RESOLVED:- To note the report.

37 Risk Management Report

The Corporate Support Manager reported that the Operational and Corporate Risk Registers had been submitted to Management Team in September 2020. During the COVID-19 lockdown period a number of risks had to be assessed and action taken in a short time period. This had been undertaken by the Barrow COVID-19 Strategic Co-ordinating Group and it was not appropriate for them to go through the process defined in the Risk Policy. Now that we are in the recovery phase it is appropriate to return to the designated process and the policy has been updated to reflect changes.

The Operational and Corporate Risk Registers were attached as appendices to the report.

A Member questioned if there were any operational issues that would need addressing for staff working from home should there be a further lockdown. A further question was raised by a Member regarding telephone diversions.

The Corporate Support Manager advised that the Council was in a stronger position now than in the lockdown in March as staff had been provided with equipment and processes were in place. A number of members of staff had been supplied with business mobile telephones and teleworker was in place. Additional systems were been looked into going forward and mitigated actions would be taken if necessary.

Members thanked the Corporate Support Manager for provided a comprehensive report in such difficult times.

RESOLVED:- To agree the Risk Management report.

38 Draft Governance Statement

The Corporate Support Manager reported that the Council had responsibility for ensuring that Council business was conducted within the law and proper standards, and that public money was safeguarded and properly accounted for. Part of this governance process was the preparation and publication of an Annual Governance Statement which was a self assessment of how effective the Council considered its governance arrangements to be.

The Annual Governance Statement was attached as an appendix to the Corporate Support Manager's report. The Statement was currently a draft document to allow Members to provide feedback, the final version being presented in November 2020.

A Management Team consisting of the following Officers were involved in reviewing this draft Annual Governance Statement:

Chief Executive: Head of Paid Services;
Director of Resources: S151 Officer;
Director of People and Place;

Assistant Director - Housing;
Head of Legal and Governance - Monitoring Officer;
Head of Internal Audit; and
Corporate Support Manager

The Council had assessed itself against the seven principles of good governance that were defined in the Local Code of Corporate Governance framework as follows:-

1. Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.
 - The Council's constitution defines the roles and responsibilities of the Council's decision making, regulatory, Audit and Governance and Overview and Scrutiny committees. It also defines the roles of the statutory officers and includes the delegations that officers hold.
 - Members and officers have an induction which set includes the behaviours that are expected.
 - The Council's values and behaviours will be rolled out to all staff and Members during 2020-21.
 - The Council has recently appointed a new post of Head of Legal and Governance.
 - A fraud hotline is in place to allow confidential reporting so that anonymous complaints can be investigated.
 - A process for regular staff appraisals is in place.
2. Ensuring openness and comprehensive stakeholder engagement.
 - There is a process for consultation in place through the Future High Streets Fund, the Town Deal Board and the Major Projects Board.
 - The Council has engaged a Social Media and Public Relations provider to positively project the Barrow Borough Council brand and attain a stronger reach to customers. This will be developed through a revised Communications Strategy
 - The Council is developing its website to provide a key means of communication in an open and transparent way.
 - We provide clear recommendations to the decision making committees, this is by supported reasoning and evidence. We assess the financial, legal and equalities risks relating to those decisions and provide Members with the outputs from those assessments.
3. Defining outcomes in terms of sustainable economic, social and environmental benefits.
 - The Council published its plan for 2020- 2024 and has identified three priority areas.
 - We are developing service plans to ensure we deliver the priorities agreed in the Council Plan
 - The Council has submitted a business case for Future High Street Fund which could bring £21m of funding into the Town Centre

- The Council is developing an investment plan for Town Deal funding which could draw up to £29m of funding for regeneration
 - The Council successfully applied for £1m of heritage lottery funding to improve the Dock Museum
 - The Council successfully applied for £1.1m heritage grant to improve Duke Street.
4. Determining the interventions necessary to optimise the achievement of intended outcomes.
- The Medium Term Financial Strategy is reviewed annually
 - The Council is developing service plans to ensure we deliver the priorities agreed in the Council Plan
 - The Council has an effective overview and Scrutiny function.
5. Developing the entity's capacity including the capability of its leadership and the individuals within it.
- The Council supports and encourages staff to undertake professional training.
 - The Council has an effective Member training programme in place
 - Staff have biannual briefings with senior management.
6. Managing risks and performance through robust internal control and strong public financial management.
- The Council has a risk policy which reviewed regularly by Management Team and is approved by the Executive Committee.
 - The Council has corporate and operational risk registers which are reviewed regularly by Management team and the Audit and Governance Committee.
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- The Audit and Governance Committee has defined roles which are set out in the Council's Constitution.
 - External auditors routinely attend Audit Committee meetings.
 - The Head of Internal Audit access to the Chair of the Audit and Governance Committee.
 - Members are required to register interests at the beginning of every committee meeting.

RESOLVED:- Members to provide feedback on the draft Statement prior to the Final version being presented to Committee in November 2020.

39 Update from External Auditors

Gareth Kelly from Grant Thornton provided a verbal update on the External Audit Progress Report.

Audit Progress

Grant Thornton had received the Accounts at the end of August alongside the narrative and Annual Governance Statement. The Audit had commenced and the full Audit Team at Grant Thornton would be working virtually between now and the end of November.

Gareth stated that it had proven very challenging trying to carry out the Audit 100% remotely but the External Auditors were working closely with the Director of Resources and the Finance Team to make best use of technology. It was important to highlight to the Committee that they were doing all they could to sign off the accounts by the end of November but it was very challenging.

Value for Money

Gareth Kelly confirmed that the External Auditor's work to give an assessment on the Value for Money arrangements had commenced. Chris Whittingham had set up a meeting with the Director of Resources regarding financial sustainability and with the Director of People and Place regarding Procurement and Contract Management. This was an area where Grant Thornton had provided an 'except for' qualification in 2018/19 so there was a significant amount of work to be completed.

There were no wider sector update reports but have had in the last few weeks the Redmond Review which presents some fundamental changes to audit and reporting from the Council's side in terms of suggested reforms.

Redmond Review

The overall theme was to look at greater accountability and improve transparency in and around financial reporting.

Reform was urgent and required immediate action and the response was not going to impact on 2019-2020 but key stakeholders including NAO and MHCLG had engaged in this review and there was encouragement for use of voluntary undertakings in advance of legislative reform. At this stage it was a review and the recommendations had not been enforced but there was a certain amount of weight behind them and a need for urgency.

Gareth Kelly updated the Committee on the key messages from the Redmond review. The reform was split into three areas:-

1. Reforms to Audit Providers;
2. Reforms to Council Arrangements; and
3. Reforms to Regime

Reforms to Audit Providers

- Audit was currently under-priced by on average 25% - considered to be "very serious indeed" and needs addressing because there had been a serious drain on the specialisms within External Audit;

Thursday, 1st October, 2020

- Proposal for Local Government reporting timeline to be moved back to 30 September rather than 31 July giving extra time to complete Accounts and additional time to complete Audits;
- Local Authorities want firms to have better capacity of properly trained and experienced people to deliver audits that were properly tailored to their issues and delivered to reasonable timescales;
- Audit providers would be subject to sanctions going forward if legislated for poor work, e.g. if a Council was heading for financial meltdown had the auditor flagged that on a timely basis under Value for Money.

Reforms to Council Arrangements

- Audit should be higher profile in Councils – It was proposed that the Auditor addressed Full Council each year to avoid any dilution of messages through interaction with Audit Committees;
- Accounting arrangements need improvement;
- Annual formal meeting between 3 statutory officers and the Appointed Auditor to emphasise the importance of the audit;
- All Audit Committees to appoint Independent members and to be properly trained;
- Proposals for summary accounts to be trialled in 2020-2021 and implemented in 2021-2022 – to be reconciled to statutory accounts and audited from 2021-2022;
- Refinements of Accounting Code and what can be changed to ensure Local Authority's Accounts are more meaningful and only focus on what matters.

Reforms to Regime

- Proposal for an Office for Local Audit and Regulation to be put in place who would be responsible for accountability, oversight and regulation to come under one body. This was not a return to the Audit Commission, this was a much smaller entity with a budget of £5m (5% of the Commission's) to oversee Public Local Audit;
- Requirement for a Stakeholder Committee, for all stakeholders involved, chaired by MHCLG and comprising FRC, ICAEW, CIPFA, LGA, BEIS, HMT and the audit firms to meet 4 times a year.

In conclusion Gareth Kelly stated that as things start to get legislated following this review he was happy to work with Officers and Members to provide additional training on the impacts.

The Chairman thanked the External Auditor for the update. She also stated that finding the additional funding would be difficult for small authorities.

RESOLVED:- To note the External Auditor's update.

The meeting closed at 2.55 pm.