

AUDIT AND GOVERNANCE COMMITTEE

Meeting: Thursday, 18th March, 2021
at 2.00 pm. (Virtual Meeting)

Present: Councillors Burns (Chair), Assouad (Vice-Chair), Callister, Pemberton 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), Sharron Rushton (Democratic Services Officer) and Sandra Kemsley (Democratic Services Officer).

Also Present: Gareth Kelly and Richard Anderson from Grant Thornton.

51 Apologies for Absence/Attendance of Substitute Members

Apologies for absence had been received from Councillors Ronson and Shirley

Councillor Pemberton attended as a substitute for Councillor Ronson.

52 Minutes

The Minutes of the meeting held on 3rd March, 2021 were taken as read and confirmed.

53 Public Participation

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

54 Statement of Accounts 2019-2020

The Director of Resources reported that the Statement of Accounts summarised the transactions for the financial year 2019-2020 and presented the Council's financial position at 31st March, 2020. The Statement of Accounts was intended to provide readers with clear information about the Council's finances and use of resources over the year.

The Statement of Accounts was attached as an appendix to the report. A further report on the agenda requested Members approval of the Annual Governance Statement and Audit Finding Report as a decision could only be made once these had been considered.

The first draft Statement of Accounts and Annual Governance Statement were authorised for issue and published online on 27th August 2020; the documents were also provided to the External Auditors.

Contents of the Statement of Accounts

The Statement of Accounts contained the following sections:-

- Narrative Report – summary of financial and non-financial information.
- Statement of Responsibilities of the Council and the Director of Resources.
- Movement in Reserves Statement – summary of the movement during the year for usable and unusable reserves and the statutory adjustments required arriving at the council tax requirement (dwelling rent setting for the Housing Revenue Account).
- Comprehensive Income and Expenditure Statement – summary of services' accounting costs for the year.
- Balance Sheet – the value of the Council's assets and liabilities at the year end, the net assets are matched by the reserves held at the year end.
- Cash Flow Statement – changes in the Council's cash and cash equivalents for the year split between operating, investing and financing activities.
- Notes to support the main accounting statements.
- The Housing Revenue Account.
- The Collection Fund (Council Tax and Business Rates).

Narrative Report

Performance

- The authority delivered services to people who live in, work in and visit the Borough. The authority had an overarching Council Plan which set the focus for the priorities and direction for the use of the available resources.
- In order to effectively implement corporate priorities and meet legal obligations, the authority must maintain a financially stable position, be able to demonstrate value for money, good governance, transparency and must establish values and behaviours. The authority had identified the following cross-cutting objectives that were being implemented:
 - financial resilience and financial stability;
 - strong procurement and effective contract management;
 - organisational development;
 - customer focus; and
 - consistent and professional project management.
- The Council's values were set out below and behaviours had been identified in terms of what colleagues would see, hear and feel when those values were being displayed:
 - community focus – provide excellent service for all customers and colleagues;
 - honesty and integrity – do the right thing; we are open and confident to challenge and be challenged;
 - our team – all work together to achieve our shared vision and goals;
 - aim high – encourage creativity and embrace change; and
 - proud – celebrate who we are and our achievements.

- The authority's vision was for our Borough to be a great place to live, work and visit.
- The Council Plan Priorities were:
 - People - Enabling residents to live happy, healthy productive lives.
 - Place - Creating a vibrant, safe & welcoming place where people want to live.
 - Prosperity - Supporting our economy to thrive and benefit all our residents.
- During 2019-2020 the Council was able to utilise all resources (financial and non-financial) to deliver the services it provided. The non-financial performance of service delivery was set out on Page 5 of the Statement of Accounts with commentary provided where there was a significant variance. This non-financial performance together with the delivery of the routine services within the approved budget meant that the Council had delivered the outcomes and value planned when the budget was set in line with the Council Plan priorities.

Finances

- The General Fund services were funded by Council Tax, Business Rates and government grants. The outturn was balanced with a net contribution from reserves of £537k for one-off items of expenditure.
- The Housing Revenue Account was balanced with a net contribution to reserves of £527k which would be used to meet future demands, particularly housing maintenance.
- The authority's share of the Collection Fund for 2019-2020 was a deficit of £38k for Council Tax and a deficit of £55k for Business Rates; these were distributed in 2020-2021 and 2021-2022 along with the preceptors proportions.
- The authority's net worth had increased from £114.9m to £117.6m from changes in asset values, pension liabilities, cash and borrowings.
- Usable reserves had increased by £0.89m; the reserves held specifically for capital purposes increased during 2019-2020.
- Capital investment of £5.626m was delivered through the capital programme for 2019-2020, this was fully funded with no new borrowing.
- The Council managed its cash, deposits and debt internally, with external support and advice. The authorised limit for borrowing during 2019-2020 was £55m and this was not breached. At 31 March 2020 the Council had £36.5m of fixed rate loans from the Public Works Loan Board.

General Fund Outturn

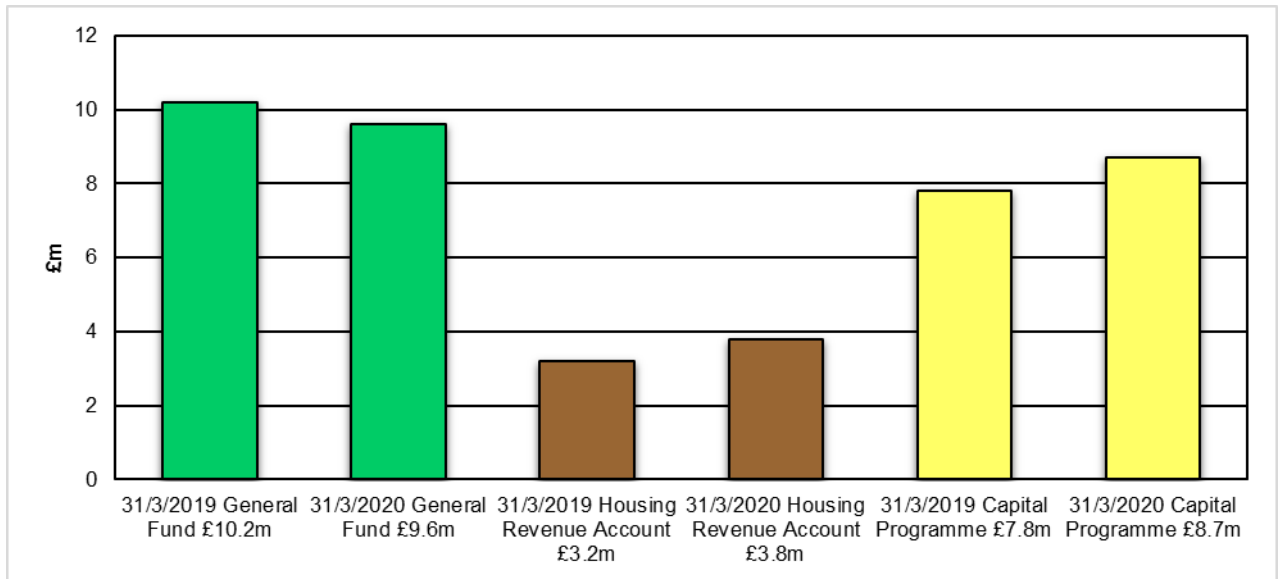
- The following table identified the net of under and over spends by division; some items do not recur such as employee costs where posts had been subsequently recruited or deleted, but all variances were reviewed:

Division	Employee Costs	Supplies & Services	External Income	Other Items	Total
	£000	£000	£000	£000	£000
Resources	(129)	(14)	(59)	(14)	(216)
Community Services	2	(5)	149	(56)	90
Regeneration & Built Environment	(162)	56	152	(38)	8
Central Services	54	(109)	1	(1)	(55)
Corporate Amounts	-	-	-	27	27
Earmarked Reserves	-	-	-	146	146
Total	(235)	(72)	243	64	0

Financial Reserves during 2019-2020

- The General Fund earmarked reserves reduced by £537k to £7.3m; the core fund balance remained constant at £2.3m.
- The Housing Revenue Account financial reserves increased by £527k to £2.7m; the core fund balance remained constant at £1m.
- The Major Repairs Reserve for planned maintenance increased by £332k to £2.8m; this reserve funds the Capital Programme.
- The Usable Capital Receipts reserve increased by £81k to £2.7m; this reserve funds the Capital Programme.
- The Capital Grant Unapplied reserve increased by £489k to £3.1m; this reserve funds the Capital Programme.

Financial Reserves at 31 March



Key Opportunities and Financial Resilience

- During the austerity of local government finances of the last decade and in order to achieve a balanced budget, the Council achieved cumulative core budget changes of £8.9m. The budget changes were deemed to be sustained now; the changes, or savings, were achieved by the 31 March 2019 and the subsequent budgets had balanced without requiring budget support from the financial reserves.
- The Medium Term Financial Plan 2021-2025 estimated that balanced budgets were achievable for the General Fund and Housing Revenue Account based on current information and known impacts.
- Delivery of the Council Plan continued to be a priority with the experiences during COVID-19 enhancing and focussing the achievement of objectives in partnership across the Borough.
- Initiated an organisational development programme with the Local Government Association to ensure the effective use of staffing resources.
- Participation in the Government consultation on the fairer funding review and business rate retention review.
- The Council was part of the Cumbria Local Enterprise Partnership and was linked with projects included in the Strategic Economic Plan which set out how Local Growth Funding would be spent to boost the local economy in the County. The economic impacts of the Strategic Economic Plan were beneficial to the longer term finances of the Council.
- The Council chose to react positively to the financial challenges by taking the opportunity to do things differently. The broad strategy was to concentrate on three issues; generating income, transforming services to make them more efficient and cost effective, and supporting economic growth and development.
- The authority continued working with South Lakeland District Council and Lancaster City Council to progress the shared vision of economic growth for the Morecambe Bay region.
- The development of Marina Village continued to be a priority and external funding opportunities were being pursued.

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- The Council had secured a number of major funding opportunities including, Town Deal, Heritage Action Zone, Heritage Lottery Fund and European Structural and Investment Fund.
- The Council had provided information regarding the financial impacts of COVID-19 to the government in order to obtain emergency funding.

RESOLVED:- To note the 2019-2020 Statement of Accounts.

55 Annual 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 following members of staff were involved in reviewing the Annual Governance Statement:-

Executive Director: 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 principles of good governance that were defined in the Local Code of Corporate Governance.

The Annual Governance Statement was attached as an appendix to the Corporate Support Manager's report. The Statement was currently in draft form prior to approval by this Committee.

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

RESOLVED:- To unanimously agree:-

1. To approve the Annual Governance Statement;
2. That the Chair of the Audit and Governance Committee and the Chief Executive sign the Annual Governance Statement; and
3. That the Annual Governance Statement be published on the Council's website.

56 Audit Findings Report

Gareth Kelly and Richard Anderson from Grant Thornton attended the meeting to present the Audit Findings report to Members. The report was intended to highlight any significant items arising from the audit process for the benefit of the Audit Committee.

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The Appointed Auditor was required to issue the report at the conclusion of the audit, noting any adjustments made to the draft accounts as published.

The audit was substantially completed and there were no matters of which they were aware that would require modification of the audit opinion outlined in the report, or material changes to the financial statements, subject to the following outstanding matters:

- Completion of work on valuation of land, buildings and dwellings
- Final engagement manager and engagement lead quality review of audit work
- Receipt of management representation letter; and
- Review of the final set of financial statements

It was anticipated that the audit report opinion would be unqualified and unmodified. An additional emphasis of matter paragraph highlighting land, building and dwellings valuation material uncertainties in respect of the Council's own assets and the Council's share of the Cumbria Local Government Scheme's direct property investments and investments in unquoted property funds had been included within the report. This did not affect the opinion that the statements gave a true and fair view of the Council's financial position and its income and expenditure for the year.

The Appointed Auditor had completed the risk based review of the Council's Value for Money arrangements and concluded that the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources, except for its arrangements for ensuring policies and procedures in relation to procurement and contract management were followed. It was anticipated that that the Auditor would issue a qualified 'except for' value for money conclusion.

The Appointed Auditor reported that they had not exercised any of their additional statutory powers or duties and did not intend to do so. Serious consideration had been given to the exercise of a statutory recommendation under Section 24 of the Local Audit and Accountability Act 2014 but it had been determined that, in view of some improvements related to procurement and contract management arrangements towards the end of the 2019-20 financial year, it was not appropriate to issue a Section 24 at this time, however, progress would be monitored and should weaknesses persist, the auditors would review their use of wider statutory powers.

The concept of materiality was fundamental to the preparation of the financial statements and the audit process and applied not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Materiality levels were reported in the audit plan.

Details of significant audit risks had been highlighted within the report. Significant findings had also been highlighted within the report which were new issues and risks identified during the course of the audit that were not previously communicated in the audit plan and included a summary of any significant control deficiencies identified during the year.

The Appointed Auditors Team had undertaken their audit in a professional and constructive manner and the Director of Resources took to the opportunity to thank the Audit Team.

RESOLVED:- To receive the Audit Findings report.

57 Approvals and Letters of Representation

The Director of Resources submitted a report containing the Council's draft Letter of Representation; the finalised version was presented at the meeting. The report requested approval for the finalised letter to be signed in addition to signing and publishing the Statement of Accounts 2019-2020 and Annual Governance Statement 2019-2020.

Statement of Accounts

After considering the Statement of Accounts, Annual Governance Statement and the Audit Findings Report for 2019/20, Members were recommended to approve the audited Statement of Accounts for 2019/20 and to authorise the Chairman of this Committee to sign on behalf of the Council.

Annual Governance Statement

Members were recommended to approve the Annual Governance Statement for 2019/20 and to authorise the Chairman of this Committee to sign on behalf of the Council.

Publication

The Annual Governance Statement would be combined with the Statement of Accounts and this would be published on the Council's website once the audit certificate was provided.

Letter of Representation

The purpose of this letter was to provide assurance to the Appointed Auditors on relevant and significant matters relating to the financial year. The Letter of Representation was issued to disclose the material facts affecting the 2019/20 transactions of the Council; the drafted letter was attached an appendix to the report. The Director of Resources updated Members on the finalised version.

Members were asked to consider and approve the finalised Letter of Representation and authorise the Director of Resources and the Chairman of this Committee to sign on behalf of the Council.

Signing

Electronic signatures would be used for the authorisation of these Statements accompanied by an authentication email to the Appointed Auditors, from the Chair of this Committee, Director of Resources (Section 151 Officer) and Chief Executive as applicable.

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

RESOLVED:- It was unanimously agreed:-

1. To approve the audited accounts and authorise the Chairman of this Committee to sign the Statement of Accounts for 2019-2020 on behalf of the Council;

2. To approve the Annual Governance Statement for 2019-2020 and authorise the Chairman of this Committee to sign on behalf of the Council;
3. To approve the finalised Letter of Representation and authorise the Director of Resources and the Chairman of this Committee to sign on behalf of the Council; and
4. To publish the Statement of Accounts and Annual Governance Statement on the Council's website.

58 Work Plan 2021-2022

The Director of Resources reported that the work plan set 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 for 2021-2022 was presented for information and those items carried over from the 2020-2021 Work Plan were identified.

The Work Plan for 2021-2022 included a number of items added to the first meeting, carried over from the 2020-2021 Work Plan:

- Annual Audit Letter – follows the completion of the audit
- Certification of Grants – DWP grant claim deadline extended
- External Audit Annual Plan
- Annual Report of the Chair

The reviews of the effectiveness of the Internal Audit function and of the Audit and Governance Committee would be carried out once during 2021-2022.

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

RESOLVED:- To note the Work Plan for 2021-2022.

59 Internal Audit Annual Plan 2021-2022

The Head of Internal Audit reported that the proposed Internal Audit Annual Plan for 2021-2022 had been produced based in the risks associated with the Council's operations.

The purpose of Internal Audit was to provide independent assurance of the effectiveness of the Council's internal controls, governance and risk management arrangements.

The individual audit reports provided recommendations for Management to act upon and consider in order to achieve improvements where potential weakness or risk was identified.

Internal Audit added value to the Council and helped to achieve the Council's objectives by designing an annual audit plan through a systematic and risk-based approach.

A significant number of days had been committed to fulfil the statutory obligations around the Department of Works and Pensions housing benefit subsidy claim. There were specific skills and knowledge within the Department to undertake this work.

The COVID-19 support package from Government included business support grants with specific criteria and eligibility; this area of Council activity was likely to require a degree of post audit assurance work in order to provide the necessary assurance.

When the original lockdown was introduced the Department had commenced a recruitment process to add the required resource, this process was not concluded. Furthermore during lockdown a member of the Department found alternative employment within the Council; the Department was currently carrying two full-time vacancies. These factors were likely to have a bearing on the delivery of the proposed plan, which would therefore require a degree of flexibility.

The Internal Audit Plan for 2021-2022 had been appended to the report.

RESOLVED:- To unanimously agree the Internal Audit Plan for 2021-2022.

60 Financial Regulations and Contract Standing Orders

The Director of Resources reported that as part of her annual review of the Constitution the Monitoring Officer had proposed some minor changes which had been considered by the Executive Committee on 10 March 2021 and would be submitted to Council on 23 March, 2021 for adoption.

The terms of reference of the Audit and Governance Committee included “to maintain an overview of the Council’s Constitution in respect of contract standing order, financial regulations”.

The Financial Regulations and Contract Procedure Rules had been considered alongside the constitution review and some suggested changes were shown in the appendix to ensure that they were up to date. These regulations and rules would be further reviewed during the coming year.

RESOLVED:- To note the revisions to the financial regulations and contract standing orders, which were being recommended to Council as part of the constitutional review changes.

61 Code of Corporate Governance

The Corporate Support Manager reported that the Council produced a Code of Corporate Governance which was reviewed on an annual basis. Guidance for preparing the Code was provided by the Chartered Institute for Public Finance and Accountancy (CIPFA).

CIPFA revised the framework for good governance in the public sector based on the International Framework, Good Governance in the Public Sector.

The framework was designed as a reference document for those who developed governance codes for the public sector when updating and reviewing their own codes.

The framework provided a shared understanding of what constituted good governance in the public sector.

Although the core principles had not changed there had been some changes which were highlighted in the appendix.

The Code was circulated to Management Team in March, 2021.

RESOLVED:- To endorse the Code of Corporate Governance.

62 Going Concern

The Director of Resources reported that the Council was required to assess and determine that it was appropriate to prepare the financial statements on a going concern basis. The review should take account of all available information about the future, which was at least, but not limited to the next twelve months from the end of the reporting period.

The accounts of the Council for the period 1st April, 2020 to 31st March, 2021 would be prepared on a going concern basis. This basis assumed that the Council would be able to realise its assets and liabilities in the normal course of business and that it would continue in business for the foreseeable future.

Management Team considered the significant factors and determined that the going concern concept did apply to the Council.

It was asserted that the going concern concept still applied.

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

RESOLVED:- To unanimously agree with the going concern assessment for the preparation of the 2020-2021 accounts.

63 Accounting Policies

The Director of Resources reported that she was responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LAASAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Statement of Accounts, the Director of Resources was responsible for selecting suitable accounting policies, applying those consistently and complying with the code.

The accounting policies had been reviewed to ensure that they remained relevant, current and reflected best practice.

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

RESOLVED:- To unanimously approve the accounting policies for the preparation of the Accounts for 2020-2021.

REFERRED ITEMS

THE FOLLOWING MATTERS ARE REFERRED TO COUNCIL FOR DECISION

64 Anti-Fraud Policies 2021

The Director of Resources reported that as part of the Policy Framework, the Council had the following Anti-Fraud policies:-

- Anti-Fraud, Theft, Bribery and Corruption Strategy and Response Plan; and
- Whistleblowing Policy

These policies had been reviewed and updated to ensure that they remain relevant, current and reflect best practice.

The Council had a zero tolerance policy towards fraud, bribery and corruption.

The Anti-Fraud Policies emphasised that the fight against fraud was endorsed and supported at the most senior level of the Council and were clear that all employees had a responsibility for fraud prevention and detection.

The Anti-Fraud, Theft, Bribery and Corruption Strategy and Response Plan set out the Council's commitment to the prevention and detection of fraud and corruption. It outlined the responsibilities of staff, Members and management and set out the procedures to be followed where suspicion of financial or other irregularity was raised. The Fraud Response Plan had been added to the Policy to highlight the procedure that the Council would follow once a concern had been raised. Generally, besides names and dates being updated, the policy remained relevant and fit for purpose. The only addition being paragraph 3.2.8 to explain the change in the Government secure email arrangements.

The Whistleblowing Policy applied to all staff, Members and those contractors working for the Council and on our premises. The Policy set out the Council's expectation that serious concerns were raised. The Fraud Response Plan within the main Policy also applied to these concerns. Generally besides names and dates being updated, the policy remained relevant and fit for purpose.

The Anti-Fraud, Theft, Bribery and Corruption Strategy and Response Plan was published on the Council's website, and the Whistleblowing Policy was published on the Intranet.

Once approved, all staff would be informed and reminded of the Anti-Fraud Policies and their importance.

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

RESOLVED:- To unanimously recommend the Council approve the revised Anti-Fraud Policies.

The meeting closed at 3.22 pm.