

AUDIT AND GOVERNANCE COMMITTEE

Meeting; Thursday 29th July, 2021
at 2.00 pm. (Banqueting Hall)

Present: Councillors Burns (Chairman), Assouad (Vice-Chair) and Callister.

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) and Sharron Rushton (Democratic Services Officer).

Also Present: Gareth Kelly (Grant Thornton)

THE MEETING WAS ADJOURNED AT 2.02 PM DUE TO UNFORESEEN CIRCUMSTANCES.

THE MEETING WAS SCHEDULED TO RECONVENE AT 2.00 PM ON WEDNESDAY, 18TH AUGUST, 2021

AUDIT AND GOVERNANCE COMMITTEE

Meeting; Wednesday, 18th August, 2021
at 2.00 pm. (Banqueting Hall)

Present: Councillors Burns (Chairman), Assouad (Vice-Chair), Nott and Shirley.

Officers Present: Susan Roberts (Director of Resources), Keith Jackson (Head of Internal Audit), Debbie Storr (Head of Legal and Governance & Monitoring Officer) and Sharron Rushton (Democratic Services Officer).

Also Present: Matt Derrick (Grant Thornton)

1 Apologies for Absence

Apologies for absence had been received from Councillors Callister and Hall.

2 Declarations of Interest

Councillor Shirley declared an other registrable interest in Agenda Item No. 12 – Draft Annual Governance Statement (Minute No. 9) as he was the Chairman of the Barrow and District Junior Football League.

3 Minutes

The Minutes of the meeting held on 18th March, 2021 were taken as read and confirmed.

4 Public Participation

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

5 Terms of Reference

The Director of Resources reported that the Terms of Reference were set out in the Council's Constitution and were attached as an appendix to the report. They were reported to provide Members with the framework of the Committee's business.

RESOLVED:- To note the Terms of Reference for the Audit and Governance Committee.

6 Work Plan 2021-2022

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 Annual Plan from Grant Thornton was not available for this meeting and the indicator had been moved to the next meeting of this Committee. It was expected that those charged with governance accept the Annual Plan in order for the audit to commence. An update on these arrangements would be provided at the meeting.

The complaints and compliments report was presented at this meeting rather than the September meeting as originally scheduled.

There was no restricted assurance monitoring to report to this meeting.

An Annual Report from the Chair was introduced to the Work Plan for presentation at Council. Unfortunately it had not been possible to prepare that for 2020/21 and this task would commence with a review of 2021/22.

The work plan had been attached as an appendix to the report.

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

7 Annual Audit Letter 2019-2020

The Director of Resources reported that the Annual Audit Letter for the year ended 31st March 2020 had been produced by Grant Thornton. The Audit Letter had been attached as an appendix to the report.

The Council received an unqualified opinion on the Council's financial statements on 18th March 2021 and the audited documents were placed on the Council's website.

In respect of value for money the Council received a qualified 'except for' conclusion.

The opinion stated that the appointed auditors were satisfied that, in all significant respects, except for the matter identified in respect of procurement and contract management, the Council put in place proper arrangements to secure economy,

efficiency and effectiveness in its use of resources for the year ending 31st March 2020.

Actions arising from the 2019-20 Audit would be reported to a future meeting.

RESOLVED:- To receive the Annual Audit Letter for 2019-2020.

8 Housing Benefit Assurance Process

The Director of Resources reported that the Housing Benefit Assurance Process (HBAP) for the DWP housing benefit subsidy claim for the year ended 31st March 2020 was complete.

Grant Thornton had produced the Reporting Accountants report concerning the Housing Benefit Assurance Process on the Council's behalf. The process had resulted in an amended subsidy claim and a qualification letter.

The Reporting Accountants report had been attached as an appendix to the report.

The work undertaken to audit the subsidy claim was a series of housing benefit claims sampled from each headline type of claim and each area where there had been any previous errors or the initial sample produced an error.

The initial sample work and any additional sample work was performed by Internal Audit to provide independence and separation from the Benefits Service. This approach was only possible because of the expertise within the Internal Audit Team.

Any errors identified by Internal Audit were provided to the Benefits Team to review and where necessary, to change.

Grant Thornton reviewed the sampling carried out by Internal Audit and identified any further additional work required. The results of the re-performance led to either amendments to the subsidy claim or an extrapolation of the errors where it was not possible to isolate the particular issue.

The HBAP was reported to the DWP for review and for decision. When considering the HBAP the DWP requested assurances from the Council that improvements would be introduced to reduce errors.

The following assurances had been agreed with the Revenues and Benefits Service Manager:-

1. Our Quality Officers now undertake sample checks on overpayments in addition to the normal quality checking of determinations;
2. Targeted checks are in place where quality checks identify particular officers that require certain training or mentoring;
3. Mentoring/shadowing for staff returning from long periods of absence is in place;
4. Continuous checking of high value overpayments by the Internal Audit Department with any errors reviewed by the Benefits Team;
5. We have experienced recruitment difficulties, long serving Officers have left through natural retirement and the experience we lose has had an impact; to mitigate this we have introduced 2 Benefit Specialist roles to provide training and mentoring for the Benefits Team and to support work on complex claims;

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6. We were unable to deliver the intended training for 2020 due to Covid-19 and I confirm that we are planning to deliver training in 2021 – this is external training to support the internal training and mentoring that we will be able to support once we have recruited the 2 Benefit Specialists.

Councillor Shirley requested an explanation regarding the figures recorded in relation to exceptions and errors. The Director of Resources addressed the queries and provided a detailed explanation.

RESOLVED:- To receive the Housing Benefit Assurance Process report.

9 Draft Annual Governance Statement

The Director of Resources reported that the Council had responsibility for ensuring that Council business was conducted with 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 we consider our governance arrangements to be. It was a draft document to allow Members to provide feedback, the Final version being presented in September.

A Management Team consisting of the following Officers had been 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; and Head of Internal Audit.

The Council had assessed itself against the principles of good governance that were defined in the Local Code of Corporate Governance.

The Draft Annual Governance Statement had been attached as an appendix to the report.

Councillor Shirley questioned the omission of public playing fields and requested it be included within the Governance Statement and an audit be carried out. The Director of Resources advised that there was ongoing work regarding public playing fields.

Councillor Burns advised that project management was a priority following recent concerns.

RESOLVED:- To consider the draft governance statement and provide feedback.

10 Internal Audit Annual Report

The Head of Internal Audit presented the Internal Audit Annual Report for 2020-2021 to the Committee. He explained that the purpose of the Annual Report was to meet the Head of Internal Audit's annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS). The Head of Internal Audit's formal annual report presented an opinion on the overall adequacy and effectiveness of the internal control environment, and:-

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- a) Included an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, however it should be noted that as a result of the Coronavirus pandemic the delivery of the Council's Internal Audit plan had been severely restricted. This report had been compiled in the required format;
- b) Disclosed any qualifications to that opinion, together with the reasons for the qualification, including impairment or restriction in scope;
- c) Presented a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- d) Drawn attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- e) Compared the work actually undertaken with the work that was planned; and
- f) Commented on compliance with these standards and the Internal Audit quality assurance programme.

The opinion was that the Annual Report could not provide reasonable assurance that the organisations framework of governance, risk management and control predominantly operated satisfactorily during 2019-2020 due to the restrictions and limitations of the coronavirus pandemic. Conversely, He did not have evidence to confirm significant deviation from the control arrangements occurred.

The detailed opinion was that, for the systems reviewed, the Council had reasonable systems of control in place, although there were significant weaknesses which put some of the system objectives at risk.

There were however, areas where only Restricted Assurance could be provided, which related to:-

- Covid Risk Assessment – Post Assurance Review (Draft);
- IT Procedure Review

Weaknesses found as a result of the Internal Audit's work, together with their recommendations for improvement, had been included in their reports to senior management and Members.

Additionally, any weaknesses identified through the Annual Governance Statement process were recorded separately and reflected the assurance provided from all sources both internal and external.

Progress against 2020/21 Annual Plan

A detailed analysis of the current situation regarding the 2020/21 Plan had been appended to the Internal Audit Annual Report.

The assessment of auditable areas had identified 88 systems, which covered the Council's operations. The audit coverage achieved in the period, compared to the audit plan, is set out in the table below. The difference in planned coverage compared

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to actual mainly related to the transfer of resource to Covid Grant administration, together with significant Housing Benefit Grant Certification testing which was not reflected in these figures, all of which were included within regular progress reports issued to the Committee.

	Percentage of systems covered		Percentage of risk covered	
	2020/21	2019/20	2020/21	2019/20
Planned	39%	40%	81%	82%
Achieved	6%	32%	9%	66%

Liaison with External Audit

The Head of Internal Audit had liaised with the External Auditor; providing documentation to assist in the delivery of their work where requested. The aim was to maximise the benefit from the Internal Audit Service by avoiding duplication of coverage and facilitating where appropriate the External Audit Auditor's approach, in order to provide maximum assurance, although this may not be possible in all instances.

The Head of Internal Audit reported that as part of the Council's responsibility to take action against potential fraud and corruption, a "Whistle-blowing" facility (or Fraud Hotline/webform) had been established since May 1998; for use by Council staff, contractors, suppliers and members of the public. The facility was operated by Internal Audit and call/report details were either investigated by Internal Audit, the Council's Revenues and Benefits Team, or forwarded to the DWP for Housing Benefit fraud. A minor number were referred in specific instances to Public Protection Services, Housing etc.

Fraud Hotline Calls

Calls received	Revenues/ Benefit related	Staff Related	Other	Total
2019/20	35	1	28	64
2018/19	32	1	5	38

The following table summarised the assurance levels recorded in final reports relating to the years 2020/21 and 2019/20, draft reports were not included. The majority of Council systems had achieved the level of Substantial Assurance:-

Final Reports	Total	Unqualified Assurance		Substantial Assurance		Restricted Assurance		No Assurance	
		No.	%	No.	%	No.	%	No.	%
2020/21	5	0	0	4	80	1	20	0	0
2019/20	27	6	22	14	52	5	19	2	7

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The conclusions and assurance levels specified for each audit were used to support the Council's governance review arrangements, as required by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards.

A summary of the number of audit recommendations made in the Internal Audit Final Reports issued during 2020/21, along with the management responses were as follows:-

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made 2020/21	17	2	8	7
Fully Accepted	17	2	8	7
Partly Accepted	0	0	0	0
Not Accepted	0	0	0	0

During the financial year Internal Audit had not undertaken any prior year implementation activity due to the restrictions and limitations of the coronavirus pandemic, this was being carried forward into 2021/22.

Councillor Shirley questioned the method used in deciding which Audits were cancelled. The Head of Internal Audit advised that audits had been carried out adhering to Covid restrictions. He also advised that much of the resource had been utilised to ensure the grants work was carried out effectively.

Councillor Shirley expressed his thanks to the team for all the work carried out during the pandemic.

RESOLVED:- To note the Internal Audit Annual Report for 2020-2021.

11 Assurance

The Director of Resources reported that the Chair of this Committee had provided the Appointed Auditor with details of how the Audit and Governance Committee obtained assurance from Management.

The Appointed Auditor's request and the Chair's response had been attached as appendices to the report.

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

RESOLVED:- To endorse the Chair's assurance response to the Appointed Auditors.

12 Annual Review of Internal Audit

The Director of Resources reported that Internal Audit must comply with proper practice as defined by the Accounts and Audit Regulations.

Each year a review of the effectiveness of Internal Audit was undertaken and Audit and Governance Committee informed of the findings. The Section 151 Officer was charged with ensuring an effective Internal Audit function was resourced and maintained.

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The review relied upon the following documents to support the view that the Internal Audit Service was effective:-

- Public Sector Internal Audit Standards;
- The CIPFA Statement on the role of the Head of Internal Audit in Local Government;
- The Internal Audit Annual Report; and
- Post Audit Questionnaires.

A review of the effectiveness of Internal Audit had been undertaken and the Director of Resources was satisfied that the Internal Audit Service was effective.

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

RESOLVED:- To agree to endorse the annual review of the effectiveness of Internal Audit.

13 Compliments, Customer Feedback and Complaints received during 2020/21

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 2020/21 (April 2020 – March 2021).

It was agreed at the Audit and Governance Committee held on 1st October, 2020 that regular reports would be presented on compliments, customer feedback and complaints. All complaints and compliments were managed and recorded by the Democratic Services Team and quarterly reports were presented to Management Team.

Whilst complaints up to December 2020 had previously been reported to Committee, this report presented an update for the period April 2020 to March 2021. During the last municipal year there were 43 Stage 1 complaints received compared to 52 in the previous financial year and 8 appeal stage complaints received compared to 7 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 Appeal Stage complaints.

In terms of response times 86% of complaints received were answered within the 10 working day target for Stage 1 complaints, and 75% were answered within the 20 working 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 2020/21.

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During the reporting period 42 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. Service areas had been requested to ensure that any compliments received were logged corporately. Quarter 1 and subsequent reports for 2021/22 would be reported to a future meeting.

Councillor Shirley expressed concern that residents had found the complaints and feedback information difficult to locate on the website. The Monitoring Officer agreed to look into the online submissions process.

RESOLVED:- To note the Compliments, Customer Feedback and Complaints received during 2020/2021.

14 Internal Audit Final Report

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.

The report presented the Internal Audit final reports completed since the last meeting of the Committee. There had been one final report appended for presentation:-

IT75 Procedure Review – Restricted Assurance. The report contained two major issues and five important issues.

All recommendations had been accepted by management unless otherwise stated.

RESOLVED:- To note the Internal Audit Final report.

15 External Audit Fees

The Director of Resources reported that the Audit Fee for 2020-2021 was £62,772. This was an increase against the scale fee set by Public Sector Audit Appointments for new and ongoing issues added to the audit scope.

The Appointed Auditors' letter was attached to the report for information.

Auditors must undertake sufficient work to comply with the requirements of the Code of Audit Practice issued by the National Audit Office and relevant professional standards, and to enable them to discharge their statutory responsibilities under the Local Audit and Accountability Act 2014 and their contractual obligations to PSAA.

Grant certification fees were separate to this for the DWP housing benefit subsidy claim and Housing Capital Receipts report.

RESOLVED:- To note the External Audit Fee for 2020-2021.

16 Closedown Update 2020-2021

The Director of Resources report provided an update relating to the closedown of the Accounts for 2020-2021. For the 2020-2021 financial year, the publication date was 31st July 2021.

The ledger had been closed and the Statement of Accounts had been prepared; the checks and consistency review work had commenced. The results for 2020-2021 would be reported to the Executive Committee and to this Committee once approval to issue had been given.

The Finance Department was operating with reduced Accountancy resources as recruitment had not been successful and all effort had to focus on the production of the Statement; resource needs would be addressed.

The draft unaudited Statement of Accounts and the draft Annual Governance Statement had been published before the 31st July 2021. The documents were published online and provided to Grant Thornton for audit.

With the potential audit timeframe beginning in August, resources would need to be accommodated by the Council and Grant Thornton. The Council had no intention to restrict annual leave over the summer and there would be an open and ongoing dialogue with the External Audit Team to match up work between the Accountants and other staff, and the audit team members.

The Audit Plan would establish the timeframe and it may be possible to provide an update on this at the meeting.

Councillor Burns expressed her thanks to the finance team for all the work carried out.

RESOLVED:- To note the closedown update 2020-2021.

17 Risk Management Report

The Director of Resources reported that the Risk Registers had been submitted to Management Team on 14th July, 2021. Senior Management Team had agreed to remove Risk 11/20/1 - Impact of UK exiting the EU with or without withdrawal agreement. This event had occurred and the controls and mitigating actions put in place were sound. There were other minor risks which reflected proposed mitigating actions which were now in place.

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

Councillor Burns questioned if Local Government Reform should be included and Councillor Shirley questioned if Climate Change should also be included. The Director of Resources agreed to include both the Local Government Reform and Climate Change on the Risk Management Register and would update accordingly.

RESOLVED:- To agree the Risk Management report with the following additions:

- Local Government Reform
- Climate Change

18 Internal Audit Progress Report

The Head of Internal Audit presented the Internal Audit Progress Report for the period 1st April 2021 to 16th July 2021.

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The report contained a statistical summary of the number of audit recommendations made up to 16th July 2021 (7). It was noted that all 7 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. 2 had been rated Priority 1 and 5 had been rated Priority 2.

RESOLVED:- To note the Internal Audit progress report.

The meeting closed at 2.55 pm.