

# AUDIT AND GOVERNANCE COMMITTEE

Meeting: Thursday, 28th July, 2022  
at 2.00 pm. (Banqueting Hall)

Present: Councillors Burns (Chairman), Assouad (Vice-Chair), D. Edwards, McLeavy and Nott

Officers Present: Debbie Storr (Head of Legal and Governance & Monitoring Officer), Sandra Baines (Head of Visitor Economy and Culture), Chris Butler (Financial Services Manager), Les Davies (Head of Asset Management), Keith Jackson (Head of Internal Audit), Chris Jones (Head of Programme Management and Climate Change), Jamie Muir (Procurement Officer) and Katie Pepper (Democratic and Electoral Services Officer).

Also Present: Matt Derrick and Gareth Kelly from Grant Thornton.

## **1 Apologies for Absence**

An apology for absence had been received from Councillor Callister.

## **2 Minutes**

The Minutes of the meeting held on 27th April, 2022 were taken as read and confirmed.

## **3 Public Participation**

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

## **4 Terms of Reference**

The Head of Legal and Governance & Monitoring Officer 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.

## **5 Work Plan 2022-2023**

The Head of Legal and Governance & Monitoring Officer 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.

There were several items highlighted in the report as this was the final Work Plan prior to unitisation.

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

RESOLVED:- To note the Work Plan for 2022-2023.

## 6 Audit Progress Report and Sector Update

The External Auditors had produced a Progress Report and Sector Update report to Members. The report provided the Committee with details of the Auditors progress in delivering their responsibilities as External Auditors. This also included a summary of emerging national issues and developments that may be relevant to the Council as well as a number of challenge questions in respect of those emerging issues which the Committee may wish to consider.

The Auditors confirmed that they were still considering whether they needed to exercise any of their additional statutory powers or duties, under the Local Audit and Accountability Act 2014, in respect of 2020/21 and a final decision on that was currently under consideration.

A table of progress as at July 2022 had been presented as follows:-

2021/22 Deliverables	Planned Date	Status
<b>Audit Plan</b>		
We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2021-22 financial statements and the Auditors Annual Report on the Council's Value for Money arrangements .	August/ September 2022	Not Yet Due
<b>Interim Audit Findings</b>		
We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	September 2022	Not Yet Due
<b>Audit Findings Report</b>		
The Audit Findings Report would be reported to the September Audit Committee.	December 2022	Not Yet Due
<b>Auditors Report</b>		
This includes the opinion on your financial statements.	Dec 2022	Not Yet Due
<b>Auditor's Annual Report</b>		
This report communicates the key issues arising from our Value for Money work.	December 2022	Not Yet Due

RESOLVED:- To receive the External Auditor's report.

## 7 Internal Audit Final Reports and Internal Audit Progress 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.

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

CR141 Housing 2019-23 Staircase Cleaning – Restricted Assurance. The report contained three major issues and four important issues.

21-17 Procurement – No Assurance. The report contained three important issues and five previous recommendations.

21-11 Treasury Management – Substantial Assurance. The report contained three important issues and five previous recommendations.

21-09 Performance Management – Restricted Assurance. The report contained five major issues and four important issues.

CR133 Insurance – Restricted Assurance. The report contained two major issues and five important issues.

CR136 Catering and Cleaning at the Forum and Dock Museum 2021-26 – No Assurance. This report contained six major issues and four important issues.

CR120 Cleaning of Barrow Town Hall and Associated Buildings 2021-23 – No Assurance. This report contained seven major issues and five important issues.

The Internal Audit progress report for the period 1<sup>st</sup> April 2022 to 19<sup>th</sup> July 2022 was attached as an Appendix to the report.

The Head of Visitor Economy and Culture attended the committee to provide information on the Cleaning and Catering at the Forum and Dock Museum. She informed the Committee that she was now responsible for management of the contract and they held weekly, monthly and quarterly meeting with the management.

The Head of Asset Management attended the committee to provide information on the Housing 2019-23 Staircase cleaning. He informed the Committee that new procurement rules had been introduced and contract monitoring procedures were in place.

Jamie Muir (Procurement Officer) attended the committee to provide information on Procurement. He informed the Committee of the recent procurement review and they had a new procurement handbook. The Committee were also informed that procuring staff had undergone training.

The Head of Legal and Governance acknowledged the auditor concerns, and those from previous audits which Management Team had acknowledged and had taken steps to address these. The Management Responses were attached to the reports in the papers for members. Whilst acknowledging that the new procedures had yet to be tested through audit reviews, it was hoped improvements would be seen through these processes.

Members asked questions of officers, and it was confirmed that an action plan was in the process of being developed which would cover action to address outstanding recommendations. The actions would also be referenced through the Annual Governance Statement.

RESOLVED: -

1. To note the Internal Audit final reports; and
2. To note the Internal Audit Progress report.

## **8 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:-

- 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 provided limited assurance that the organisation's framework of governance, transparency, risk management and control operated satisfactorily during 2021/22.

The detailed opinion was that, for the systems reviewed, the Council had a number of basically sound systems of control in place, although there were certain significant weaknesses which put some of the system objectives at risk, these mainly related to areas of contract management and control, leases, procurement and specific individual systems as reported.

Areas where only Restricted Assurance could be provided, related to the following reports:

- Recruitment;
- Accounts Receivable;
- Covid Risk Assessment – Post Assurance Report;
- Performance Management;
- Insurance; and
- Housing – Staircase cleaning.

Of more concern there were also areas where No Assurance had been provided, these related to:

- Procurement;
- Forum Catering and Cleaning; and
- Cleaning of Barrow Town Hall and Associated Buildings 2021-23.

In addition, there were five areas where No Assurance had been assigned to initial draft reports, due to the lack of information provided and potential non-compliance (varying levels of information had been provided since the issue of these reports, which would be audited within the 2022/23 plan):

Weaknesses found as a result of the work, together with recommendations for improvement, had been included in the internal auditors reports to senior management and Members (the Audit and Governance Committee). 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 2021/22 Annual Plan**

A detailed analysis of the current situation regarding the 2021/22 Plan had been appended to the Internal Audit Annual Report.

The assessment of auditable areas had identified 80 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 to actual mainly related to 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 Audit and Governance Committee.

	Percentage of systems covered		Percentage of risk covered	
	2021/22	2020/21	2021/22	2020/21
<b>Planned</b>	39%	39%	63%	81%
<b>Achieved</b>	25%	6%	55%	9%

### **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
2021/22	22	0	52	74
2020/21	35	1	28	64

The following table summarised the assurance levels recorded in final reports relating to the years 2021/22 and 2020/21, draft reports were not included.

Final Reports	Total	Unqualified Assurance		Substantial Assurance		Restricted Assurance		No Assurance	
		No.	%	No.	%	No.	%	No.	%
2021/22	16	0	0	7	44	6	37	3	9
2020/21	5	0	0	4	80	1	20	0	0

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 2021/22, along with the management responses were as follows:-

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made 2021/22	86	30	50	6
Fully Accepted	75	24	45	6
Partly Accepted	11	6	5	0
Not Accepted	0	0	0	0

Comparative figures for 2020/21 are 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 year we have reported on the implementation of 62 agreed audit recommendations made in previous reports. The results are as follows:

	Fully Implemented	Not Implemented	Overtaken By Events	TOTAL
2021/22	26	37	0	63
2020/21	0	0	0	0

RESOLVED:- To note the Internal Audit Annual Report for 2021-2022.

## 9 Risk Management

The Head of Legal and Governance & Monitoring Officer reported that the Risk Registers were submitted to the Senior Management Team on a quarterly basis to ensure they remained up to date and relevant.

There were no additional risks but the energy price pressures had been included in reference 7/21/1 "Economic Change"; the mitigated score had been considered and was unchanged but market pressures had been added and the scores should be reconsidered as part of the review process.

RESOLVED:- To note the Risk Management Report

## 10 Statement of Accounts Update

The Financial Services Manager reported that at the Audit and Governance Committee held on 27 April 2022, the Statement of Accounts for 2020-2021 was authorised for issue and subsequently published.

The Audit Findings Report identified actions for management and the status of those actions was set out below.

### Minimum Revenue Provision

The Minimum Revenue Provision (MRP) Policy had been reviewed by the Executive Committee and was considered to be prudent and appropriately calculated based upon:

- the average useful economic life of the Council's assets where borrowing was not asset specific;
- the continued benefit/use of the Council's assets in delivering services;

**Thursday, 28th July, 2022**

- the MRP charge must be prudent – affordable; and
- the 1 April 2008 split had been applied as there was no requirement to relate borrowing to assets before that time.

The Council's Capital Financing Requirement at 31 March 2021 was £36.346m:

- General Fund £19.139m
- Housing Revenue Account £17.207m

The MRP charge to the General Fund for 2020-2021 was £736k which was 4% of the General Fund Capital Financing Requirement.

### Valuation of Land and Buildings

There had been delays in finalising the audit of the financial statements due to the absence or accuracy of source evidence underpinning the valuation of land and buildings.

The valuation of land and buildings was a specific area of the audit and was a high value item within the accounting statements which relied upon expertise alongside a robust assessment by management.

For the accounting statements for 2021-2022 the Council had instructed a valuer that was new to the authority.

The Council had provided a significant volume of information relating to the assets and the Finance Department were liaising with colleagues in other departments where relevant information was held.

The valuer was aware of the Statement of Accounts publication requirements and the timetable relied upon full information being provided by the Council and all queries dealt with expeditiously.

An update would be provided at the meeting, but it was anticipated that the publication of the Statement of Accounts (subject to audit) would be mid-August to ensure that there was time for a robust management review of the valuations.

### Group Accounts

Members would recall that Barrow Forward Limited was established from 1 February 2022 to operate the Park Leisure Centre.

The Council wholly owned the company and must create group accounts as well as the usual single entity financial statements. For 2021-2022 that brought February and March 2022 into consideration. The company had opted to submit their initial accounting statements for a 14 month period as permitted by Government.

The consolidation exercise was new for the Council and there may be challenges in obtaining the precise information required. Officers would discuss group accounts further with the Appointed Auditors.

**RESOLVED:-** To note the Statement of Accounts Update.



## 11 Local Code of Corporate Governance

The Head of Legal and Governance & Monitoring Officer reported that Local Authorities should have in place an effective system of internal control. The Code was designed to define how the Council would aim to deliver good governance throughout its activities and operations.

Under the Accounts and Audit Regulations 2015, the Council was required to review the effectiveness of its system of internal control. It assesses the actual achievement of these aims through the production of the Council's Annual Governance Statement. This was a separate mandatory document which was issued with the annual financial statements and signed by those charged with delivering good governance.

CIPFA published a governance framework for local authorities which provided a shared understanding of what constitutes good governance in the public sector.

The Local Code of Governance represented a key component of the Council's governance arrangements and applied to all Council members, officers, partners and stakeholders in their dealings with the Council. Although the core principles had not changed there had been some improvements that had been introduced in the last year and these had been incorporated into the code.

The Code had been circulated to members of Management Team and Internal Audit for input, and the Audit and Governance Committee was invited to consider and endorse the code.

**RESOLVED:-** To approve the Local Code of Corporate Governance.

The Chair and External Auditors wished for it to be placed on record their thanks to Keith Jackson for his hard work over the years as this would be his last Audit & Governance Committee Meeting.

The meeting closed at 2.50 pm.