

AUDIT AND GOVERNANCE COMMITTEE

Meeting: Thursday, 15th December, 2022
at 2.30 pm. (Committee Room No. 4)

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

Officers Present: Susan Roberts (Director of Resources), Debbie Storr (Head of Legal and Governance & Monitoring Officer) and Katie Pepper (Democratic and Electoral Services Officer).

Also Present: Hebe Dyson from Grant Thornton.

25 Apologies for Absence/Attendance of Substitute Members

An apology for absence had been received from Councillor Callister.

Councillor Cassidy had attended as a substitute.

26 The Local Government Act, 1972 as amended by the Local Government (Access to Information) Act, 1985 and Access to Information (Variation) Order 2006 - Urgent Items

RESOLVED:- That by reason of the special circumstances outlined below the Chairman is of the opinion that the following items of business not specified on the agenda would be considered at the meeting as a matter of urgency in accordance with Section 100(B)(4)(b) of the Local Government Act 1972.

<u>Item</u>	<u>Reason</u>
External Audit Plan (Minute No. 35)	To establish the Audit Plan ahead of the audit conclusion scheduled for the next Audit and Governance Committee meeting.
Assurance Arrangements (Minute No. 36)	To establish the Assurance Arrangements ahead of the presentation of the annual accounts at the next Audit and Governance Committee meeting.

27 Minutes

The Minutes of the meeting held on 20th October, 2022 were taken as read and confirmed.

28 Public Participation

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

29 Work Plan 2022-2023

The Director of Resources reported that The Work Plan was presented at each Audit and Governance Committee meeting to provide a forward plan of business and had been attached as an appendix to the report.

The Work Plan had been intended to demonstrate that the terms of reference were covered.

There were some changes to highlight from the previous version of the Work Plan presented in October 2022:

- Item 2, there had been no final reports to present however seven contract audit reports had been finalised after the Internal Audit progress report being prepared.
- Item 6, the certification of grants had been moved to the next meeting as work on the Housing Benefit subsidy claim continued.
- Items 17, 20 (partial), and 21 had been moved to the next meeting as work on the Annual Audit continued.
- Item 29 had been added to report progress against the Combined Improvement Plan.

An update of the Annual Audit progress had been provided at the meeting and an additional meeting may be called to receive those reports.

RESOLVED:- (i) To note the work plan for 2022-2023; and

(ii) To note an additional meeting may be called to receive the reports relating to the Annual Audit.

30 Audit and Governance Improvement Plan

The Director of Resources reported that the Audit and Governance Improvement Plan brought together actions and improvements which addressed recent external and internal audit recommendations, and which had been discussed in previous reports to Council and Audit and Governance Committee.

The Committee had responsibility for monitoring the Improvement Plan that had been combined as attached to the appendix. The Plan provided an explanation of work undertaken with regards to the actions and whether they had been completed or not.

Under statutory recommendation 2, ensuring members and officers had robust assurance and reporting arrangements in place, for managing all ongoing contracts and to enable appropriate and timely action to remediate any noncompliance or wider deficiencies, action 2.1 was for selected contracts to report through to the Overview and Scrutiny Committee. Overview and Scrutiny Committee agreed to take responsibility for the action and had begun by selecting four contracts for presentation at their December 2022 meeting.

Action 2.3 was for procurement exemptions to be provided to Audit and Governance Committee. An appendix attached to the report set out a list of exemptions for Members to note; these represented the procurement exemption activity for the initial six months operating under the new arrangements, including the insourcing of the Waste Service.

Members had been asked to receive the report and update and provide any feedback on the same.

RESOLVED:- To note the Audit and Governance Improvement Plan.

31 Audit and Governance Committee Effectiveness

The Director of Resources reported that a review of the Audit and Governance Committee effectiveness had been undertaken, the review had been based upon the CIPFA Toolkit for Local Authority Audit Committees.

The completed checklist had been attached as an appendix to the report. There had been no issues or actions arising from the review and the Members of the Audit and Governance Committee were recommended to endorse the review.

Members had been reminded to note that the Council's Combined Improvement Plan had entrusted to the Audit and Governance Committee for monitoring and delivery; this included the corporate actions to address the weaknesses highlighted in the statutory recommendations report.

RESOLVED:- To endorse the review of effectiveness.

32 Internal Audit Progress Report

The Director of Resources presented the Internal Audit progress report for the period 1 April 2022 to 2 December 2022.

There were seven draft contract audits in issue and those had been closed after the progress report was prepared.

There were four other audit reports issued in draft and it had not been possible to close those in time for the progress report. The relevant Heads of Service had been instructed to prioritise those for closure in December.

The Director of Resources had been copied into all draft reports being issued to ensure timely management responses were provided.

The response rate from management was a cumulative measure that could not be fully recovered. The finalisation of the outstanding draft audits would reflect improvement and newly issued audit reports responses were monitored by the Director of Resources with the intention of achieving the 20 day target.

Internal Audit held a database of all recommendations - added as reports were issued. The recommendations remained on the list until an area was reviewed again; recommendations may be completed, overtaken by events, or outstanding.

The priority 1 recommendations currently open had all been reviewed, and the Management update had been attached as Appendix 2. There were no outstanding actions, these recommendations would be reviewed as part of the cyclical audit apart from Barrow Playing Field Users as that arrangement had ended.

RESOLVED:- (i) To note the internal progress report; and

(ii) To note the subsequent closure of the contract audits noted as drafts in the progress report; and

(iii) To note the monitoring of previous priority 1 recommendations.

33 Annual Review of Internal Audit

The Director of Resources reported that The Section 151 Officer had been charged with ensuring an effective Internal Audit function had been resourced and maintained, and had relied upon the following documents to support the view that the Internal Audit service was effective:

Public Sector Internal Audit Standards: a self-assessment checklist completed by the Head of Internal Audit and reviewed by the Director of Resources. It covered the Authority and its Internal Audit arrangements, and the Internal Audit service had been substantially compliant with the following standards:

- Scope of Internal Audit
- Independence
- Ethics for internal auditors
- Audit Committees
- Relationships
- Staffing, training, and development
- Audit strategy and planning
- Undertaking audit work
- Due professional care
- Reporting
- Performance, quality, and effectiveness

The CIPFA statement on the role of the Head of Internal Audit in local government: a self-assessment completed by the Head of Internal Audit and reviewed by the Director of Resources, there had been no actions to implement.

The Internal Audit Annual Report - this contained the performance of the service for each financial year and demonstrated the assurance level for the Council as a corporate entity in terms of governance and compliance. The findings from the annual report had been incorporated into the Combined Improvement Plan for monitoring and implementation.

Local Government Reorganisation (LGR)

An Internal Audit service would be established for each new unitary, with the Barrow Borough Council employees transferring into Westmorland and Furness Council.

South Lakeland District Council and Eden District Council did not have Internal Audit employees, their services had been contracted out.

Cumbria County Council had an Internal Audit team and there had been an ongoing staff allocation exercise that would identify the resource that would transfer to each new unitary.

The work undertaken by each Internal Audit team had a significant core in common, but there were differences. The County Council had functions that the districts did not have, and the districts had some functions that the County Council did not have.

In particular, the Barrow team carried out the DWP Housing Benefit Assurance Process, or housing benefit subsidy sample testing. Within the other districts this function had been retained within the Revenues and Benefits service, however at Barrow the capacity and skill had been included in the Internal Audit service.

The DWP claim for 2022-2023 would be included in the Westmorland and Furness Annual Internal Audit Plan.

RESOLVED:- (i) To endorse the annual review of the effectiveness of Internal Audit; and

(ii) To note the report.

34 Risk Management

The Director of Resources reported that the Council's risk management policy had been due to be reviewed in September 2022; the risk registers were reviewed quarterly.

Zurich Municipal had been engaged by the Council to review the policy, to review the format of the risk register to align to current best practice, and to provide tailored training. There are no changes to highlight from the previous quarterly report.

The Auditor's Annual Report highlighted risk management as an area for improvement and outlined aspects of the risk register to expand – direction of travel, target risk score, future actions required, sources of risk and assurance, and dates of the last and next review.

The outcome of the policy review would be reported to the Executive Committee for approval and to the Audit and Governance Committee to provide assurance to those charged with governance.

RESOLVED:- To note the report.

35 External Audit Plan

Hebe Dyson from Grant Thornton attended the meeting to present the External Audit Plan for the year ended 31 March 2022.

They reported that the External Audit Plan for the year ended 31st March, 2022 was complete and had been attached as an appendix to the report.

RESOLVED:- To note the External Audit Plan for the year ended 31 March 2022.

36 Assurance Arrangements

The Director of Resources reported that the appointed auditor had requested that the Chair of the Audit and Governance Committee explained how assurance from management had been obtained; the response from the Chair had been attached as an appendix to the report.

Members had been asked to consider and endorse the Chair's response.

The appointed auditor requested that management explained the management processes in place to prevent and detect fraud and to ensure compliance with law and regulation. Management had provided a response informing the audit risk assessment and Members had been asked to note the response provided.

Management had also provided details of the accounting estimates used in preparing the financial statements. The accounting policies had been presented to the Committee prior to preparing the financial statements, and the details attached as an appendix, expanded on the risk recognised in certain estimates: assets, pension, significant provisions and accruals, credit loss and impairment, and the fair value of investments and borrowings.

RESOLVED:- (i) To endorse the Chair's assessment of assurance from management; and

(ii) To note the management response informing the audit risk assessment and in relation to accounting estimates.

The meeting closed at 3.33 pm.