

AUDIT AND GOVERNANCE COMMITTEE

Meeting: Wednesday, 27th April, 2022
at 10.00 am. (Banqueting Hall)

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

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

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

55 Apologies for Absence

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

56 Minutes

The Minutes of the meeting held on 17th March, 2022 were taken as read and confirmed.

57 Public Participation

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

58 Annual Governance Statement 2020/21

The Head of Legal and Governance 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.

The draft Annual Governance Statement had been presented to Members at the July 2021 Committee inviting any feedback following a review which had been undertaken and had subsequently been updated.

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 had been attached as an appendix to the report and the Committee considered the draft as presented.

RESOLVED:-

- (1) To approve the Annual Governance Statement for 2020/21 and authorise the Chair of the Committee to sign on behalf of the Council after considering the audit findings report; and

- (2) To publish the Annual Governance Statement on the Council's website with the audited Statement of Accounts.

59 Statement of Accounts 2020-2021

The Director of Resources reported that the Statement of Accounts summarised the transactions for the financial year 2020-2021 and presented the Council's financial position at 31st March, 2021. 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 30th July 2021; 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

COVID-19

- Restrictions at a national and local level applied during 2020-2021. The authority continued to provide services and worked around the face-to-face

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limitations by using alternative methods such as remote meetings, additional telephony, and social media. Many staff undertook alternative duties as part of the response and that included the distribution of various grants.

- The funds distributed during COVID-19 fall into two groupings, those where the authority is entirely instructed by Government (agency) and those where the authority had to determine elements of a scheme to meet local impacts (principal).
- £17.2m was distributed under agency arrangements and £2.7m as principal.
- £3.9m was awarded through an expansion of the retail relief scheme and this, together with £751k of compensation for losses in local tax collection, is accounted for through the precepting arrangements for the Collection Fund.
- The authority used £3.05m of direct funding from Government to cover the additional costs and irrecoverable losses in income due to COVID-19.

Performance

- The authority delivers services to people who live in, work in and visit the Borough. The authority has an overarching Council Plan which sets the focus for the priorities and direction for the use of the available resources.
- 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 has identified the following cross-cutting objectives that are being implemented:
 - financial resilience and financial stability;
 - strong procurement and effective contract management;
 - organisational development;
 - customer focus; and
 - Consistent and professional project management.
- Our values are set out below and our behaviours have been identified in terms of what our 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 is for our Borough to be a great place to live, work and visit.

- The Council Plan Priorities are:
 - 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 2020-2021 the Council was able to utilise all resources (financial and non-financial) to deliver the services it provides. The non-financial performance of service delivery is set out on Page 7 of the Statement of Accounts with commentary provided where there is a significant variance. This non-financial performance together with the delivery of the routine services within the approved budget means that the Council has delivered the outcomes and value planned when the budget was set in line with the Council Plan priorities.

Finances

- The General Fund services are funded by Council Tax, Business Rates and government grants. The outturn was balanced with a net contribution into reserves of £6.033m:
 - £5.324m for planned items included COVID-19 business rate reliefs as these must be carried forward into the relevant precepting year.
 - £709k being the net of service expenditure and income for the year; this is expanded in **Appendix 2** and was allocated against existing identified needs:
 - £162k for the restructure, organisational development and service efficiencies
 - £397k for major projects
 - £150k to support COVID-19 income losses and additional costs

- The Housing Revenue Account was balanced with a net contribution into reserves of £1.62m which will be used to meet future demands, particularly housing maintenance where delivery was impacted by COVID-19.
- The authority's share of the Collection Fund for 2020-2021 is a deficit of £94k for Council Tax and a deficit of £4.602m for Business Rates; due to the impact of COVID-19 the distribution of these are now spread over three years from 2021-2022 along with the preceptors proportions.
- The authority's net worth has increased from £117.6m to £124m from changes in asset values, pension liabilities, cash, borrowings, debtors and creditors.
- Usable reserves have increased by £10.75m:
 - Capital £2.17m
 - Housing Revenue Account £2.54m
 - General Fund COVID-19 £4.83m;
 - General Fund other reserves £1.2m;
- Capital investment of £2.266m was delivered through the capital programme for 2020-2021, 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 2020-2021

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was £55m and this was not breached. At 31 March 2021 the Council had £35.5m of fixed rate loans from the Public Works Loan Board.

- The outturn was reported to the Executive Committee held on the 15 September 2021.

Key Opportunities and Financial Resilience

- Balanced the General Fund medium term finances and planned drawdown of reserves to support delivery of the major projects programme and organisational change.
- Balanced the medium term Housing Revenue Account finances and reviewed future maintenance requirements.
- Refreshed the Council Plan and priorities with support from the Local Government Association.
- Initiated an organisational development programme with the Local Government Association to ensure the effective use of staffing resources.
- Participated in the Government consultation on the fairer funding review and business rate retention review.
- Participated in the Cumbria Local Enterprise Partnership and is linked with projects included in the Strategic Economic Plan which sets out how Local Growth Funding will be spent to boost the local economy in the County. The economic impacts of the Strategic Economic Plan are beneficial to the longer term finances of the Council.
- Reacted positively to the financial challenges by taking the opportunity to do things differently. The broad strategy is to concentrate on three issues; generating income, transforming services to make them more efficient and cost effective, and supporting economic growth and development.
- Development of Marina Village continues to be a priority and external funding opportunities are being pursued.
- Major funding opportunities including, Town Deal, Heritage Action Zone, Heritage Lottery Fund, European Structural and Investment Fund, Levelling-Up Fund, Community Renewal Fund and the Brownfield Land Release Fund.
- The arrangements for providing services from the Park Leisure Centre changed in 2022, from an external provider to a wholly owned local authority trading company; a wholly owned subsidiary. The transition between providers was completed with the new arrangements commencing on 1 February 2022. The financial statements for 2021-2022 will include group accounts to recognise the wholly owned subsidiary.
- Participated in the Government's COVID-19 monthly data submission process the financial impacts of COVID-19 in order to obtain emergency funding.

RESOLVED:- To note the 2020-2021 Statement of Accounts.

60 Audit Findings Report

Gareth Kelly and Matt Derrick 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 and Governance Committee.

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:

- Review of the final version of the financial statements
- Managements consideration of events after the reporting period
- Receipt of management representation letter.

It was anticipated that the audit report opinion would be unqualified. An additional emphasis of matter paragraph highlighting the uncertainty over valuations of the councils land and buildings given the coronavirus pandemic. 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 not yet completed all of the Value For Money work and were not in a position to issue their Auditor's Annual Report. An audit letter explaining the reasons for the delay had been attached as an appendix to the report. They expected to issue their Auditor's Annual Report by 31st July 2022.

The Appointed Auditor reported that in view of the significant weaknesses identified in relation to procurement and contract management arrangements, they were considering whether they needed to exercise any of their additional statutory powers or duties in respect of 2020/21. This would not delay the signing of the opinion of the financial statements, but they would delay certifying the closure of the 2020/21 audit until they had reached a decision on this.

Details of significant audit risks had been highlighted within the report. The revised auditing standard in relation to estimates had led to heightened scrutiny over the estimates in the accounts, particularly property and pension valuations.

For Property Valuations there had been significant enquiry and challenge with the councils valuers and management over the inputs and assumptions applied, as discussed in the report. They had reported several recommendations for improvements in the Appendix.

RESOLVED:- To receive the Audit Findings report.

61 Approvals and Letter 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 2020-2021 and Annual Governance Statement 2020-2021.

Statement of Accounts

After considering the Statement of Accounts, Annual Governance Statement and the Audit Findings Report for 2020/21, Members were recommended to approve the audited Statement of Accounts for 2020/21 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 2020/21 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 2020/21 transactions of the Council; the drafted letter was attached as an appendix to the report.

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.

It was moved by Councillor Nott 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 2020-2021 on behalf of the Council;
2. To approve the Annual Governance Statement for 2020-2021 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.

62 Internal Audit Annual Plan 2022-2023

The Head of Internal Audit reported that the proposed Internal Audit Annual Plan for 2022-2023 had been produced based on 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 Department had been carrying one full-time vacancy. This factor was 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 2022-2023 had been appended to the report.

RESOLVED: - To unanimously agree the Internal Audit Plan for 2022-2023.

63 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. The final reports completed since the previous meeting were presented to the Committee for consideration.

There had been two final reports appended for consideration, as follows:-

20-25 Covid Risk Assessment – Restricted Assurance. This report contained two major issues, eight important issues and one minor issue.

21-32 Declarations of Interest and Hospitality – Substantial Assurance, This report contained four important issues and three minor issues.

All recommendations had been accepted by management unless otherwise stated.

RESOLVED:- To note the Internal Audit Final reports.

64 Annual Report

The Director of Resources reported that the Annual Report intended to provide Members of the Council with details of the work carried out by the Audit and Governance Committee during the Council year ended April 2022.

The report also detailed how the Audit and Governance Committee had fulfilled its Terms of Reference during this period by delivering the Work Plan. The Audit and Governance Committee provided assurance of the adequacy of the risk management framework and the associated control environment; provided scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's

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exposure to risk and weaknesses in the control environment and oversaw the financial reporting process.

The Annual Report concluded that the Committee fulfilled a technical and challenging role, seeking assurance from officers and external experts that the risks and threats to the Council were identified and suitably addressed, and that the financial statements produced were accurate and reliable. It was in seeking this assurance that the Committee “adds value” to the rest of Barrow Borough Council.

RESOLVED:- To endorse the Annual Report for presentation to full Council.

The meeting closed at 11.01 am.