

AUDIT & GOVERNANCE COMMITTEE

Tuesday, 12 January 2021

PRESENT – Councillors Ron Whittle (Chair), Maureen Bateson, Mahfooz Hussain, Andy Kay, Abdul Patel and Neil Slater

OFFICERS – David Fairclough (Director of HR, Governance and Engagement), Louise Mattinson (Director of Finance), Colin Ferguson (Head of Service Audit and Assurance), Simon Ross (Head of Service for Finance), Julie Jewson (Senior Finance Manager), Jody Spencer-Anforth (Finance Manager), Firoza Hafeji (Governance Officer), Gareth Winstanley (Grant Thornton) and John Farrar (Grant Thornton)

ALSO PRESENT – Councillor Vicky McGurk, Executive Member for Finance and Governance.

RESOLUTIONS

23 **Welcome and Apologies**

The Chair welcomed all present to the meeting and read the notice that outlined the arrangements relating to the virtual meeting.

24 **Declaration of Interest**

There were no declarations of interest received.

25 **Minutes of the Meeting held on 26th November 2020**

The Minutes of the meeting held on 26th November 2020 were moved as a correct record.

RESOLVED – That the Minutes of the meetings held on 26th November 2020 be agreed as a correct record.

26 **Statement of Accounts Highlights**

The Director of Finance, Louise Mattinson and Senior Finance Manager, Julie Jewson delivered a presentation on the Statement of Accounts 2019/20 and outlined the main features, highlighting key facts and figures for consideration by the Committee.

RESOLVED – That the Committee noted the Statement of Accounts.

27 **External Audit: Audit Findings Report 2019/20**

John Farrar, Engagement Lead, Grant Thornton, presented a report which outlined the key Audit Findings for Blackburn with Darwen Borough Council for the Year ended 31st March 2020.

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. The audit risk assessment was updated to consider the impact of the pandemic on the audit and included

an additional financial statement risk in respect of Covid-19 within the Audit Plan issued on 5th October 2020.

The audit work was completed remotely during July-December and the findings were summarised in the report. Three adjustments to the primary financial statements were made by management resulting in a £4.950M increase in the deficit on provision of services within the Statement of Comprehensive Income and Expenditure. A small number of disclosure adjustments had also been agreed with officers as detailed in the report. One unadjusted mis-statement was identified where the Heritage Assets had been understated in the balance sheet by £1.327M as a result of the register of heritage assets not being updated to reflect recent valuations. Management chose not to make the adjustments as it was not a material change and included it as an action for the future.

Members and Officers made comments and observations of the audit findings and thanks were passed to auditors and finance officers for their assistance during field work.

RESOLVED – That the report be noted.

28 **Statement of Accounts 2019/20**

A report was submitted, which outlined the issues arising from the external audit of the Council's 2019/20 Statement of Accounts, and requested Audit and Governance Committees approval of the audited accounts prior to their publication, as required by the Accounts and Audit Regulations 2015.

The Accounts and Audit Regulations 2015 required that the draft accounts be produced and authorised for issue by the Council's Director of Finance and Customer Service by 21st May each year. Following external audit review, the accounts should be approved by members, having considered the issues raised by the auditors in their Audit Findings Report, prior to publication by the 31st July following the year to which they relate. Due to the impact of COVID-19, regulations were issued to extend the statutory audit deadlines for 2019/20 for all local authorities. The impact for the Council was that the publication date for final, audited, accounts was moved from 21st July to 30th November 2020. This meant that draft accounts were to be approved by 31st August 2020 at the latest. This would enable the Audit and Governance Committee to review and approve the accounts, having considered the issues raised by the auditors in their Audit Findings Report.

The 2019/20 draft Statement of Accounts were certified by the Director of Finance on 2nd July 2020, and subsequently published on the Council's website. The audit of those draft accounts commenced in September 2020 and amendments had been made to the accounts in line with audit findings to date.

The external audit of the accounts was not concluded in time for the accounts to be published by 30th November, in the main due to the additional time required to complete additional audit work regarding the valuation of the Council's land and buildings assets. This was the case for numerous local authorities across the country.

In order to comply with the Accounts and Audit Regulations 2015, a notice had been published on the Council's website stating that the statement of accounts could not currently be published, and confirming that the accounts would be published as soon as reasonably practicable after the receipt of a report from the auditor which contains the auditor's final findings from their audit and the issue of their audit opinion.

The Audit Findings Report, used by the Council's external auditor, Grant Thornton, highlighted the key findings arising from the final accounts audit in order that those charged with Governance may consider the issues prior to their approval of the Statement of Accounts.

A number of adjustments were made to the Statement of Accounts published on 2nd July 2020 in order to correct misstatements and misclassifications and to enhance the Narrative Report and disclosure notes. There was also one unadjusted misstatement included in the Audit Findings Report, in relation to the revaluation of Heritage Assets. These amounts had not been adjusted in the 2019/20 Statement of Accounts as they were immaterial to the results of the Council and its financial position at 31st March 2020, although they will be addressed in the 2020/21 accounts.

RESOLVED – That the Audit and Governance Committee:

1. Note the outcome of the audit of the Council's financial statements and the Value for Money conclusion as presented by Grant Thornton in their Audit Findings Report for 2019/20 (previous agenda item).
2. Approve the Statement of Accounts for 2019/20.
3. Approve the letter of representation from the Director of Finance and Customer Service to the external auditors for which a draft is provided at Appendix 1, with the final version to be signed by the Director of Finance and Customer Service and the Chair of the Audit and Governance Committee at the date of issue of the audit opinion.

29 Treasury Management Report - September to November 2020

The Director of Finance presented the Committee with a report on Treasury Management activity for the period of 1st September 2020 – 30th November 2020. The report summarised the interest rate environment for the period and borrowing and lending transactions undertaken, together with the Council's overall debt position, and the position against Treasury and Prudential Indicators established by the Council.

Members noted the weekly movement in the totals available for investment, both actually to date and projections for the rest of the year. These balances had fluctuated significantly across the period, ranging between £35M and £60M. Investment balances continued to be unusually high during this period, because of funds received from central government. Funds received from central government included both grants received in advance of their usual payment dates and additional funds in respect of extra costs and the distribution of grants to businesses, in relation to the response to the Covid-19 pandemic. It is intended that investment balances will ultimately reduce in future to between £10M and £20M.

Louise Mattinson highlighted that at 30th November, the Council had approximately £59.9M invested, compared to £40.4M at the start of the period. The breakdown of the closing investment balance was shared with the Committee.

The financial implications arising from the Treasury Management activities were reflected in the Council's overall Budget Strategy, and in ongoing budget monitoring throughout the year.

RESOLVED – That the Committee noted the Treasury Management Report – 2020/21.

30 Audit & Assurance - Progress & Outcomes to November 2020

The Head of Audit & Assurance reported on the achievements and progress made by Audit & Assurance in the period from 1st October 2020 to 30th November 2020.

The Committee were asked to discuss, review and challenge the outcomes achieved to 30th November 2020 against the annual 2020/21 Audit & Assurance Plan, as approved by the Committee on 29th July 2020.

The internal audit function is required to comply with the Public Sector Internal Audit Standards (PSIAS). The PSIAS requires the Head of Internal Audit to communicate any significant governance, risk management and control issues identified to the Audit and Governance Committee during the year. Members were informed that the work completed to date has not identified any significant control or governance issues that would affect the overall control framework in place within the Council to bring to the Committee's attention at this time.

The report also highlighted Counter Fraud Activity and Internal Audits recently undertaken.

Members noted that five internal audits were completed and finalised since the last report to the Committee.

RESOLVED – That the report be noted.

31 Annual Governance Statement - Progress on 2019/20 Actions and Plan for 2020/21

Members were informed on progress of the actions taken to address the significant governance issues identified in the 2019/20 AGS and the planned approach and timetable for producing the 2020/21 Statement.

The Accounts & Audit Regulations required that the Council must publish an AGS on an annual basis in accordance with proper practice. The Audit & Governance Committee was also required to review and provide independent assurance on the Council's governance framework.

The following significant issues were noted in the 2019/20 AGS:

- Children's Services Financial Position - action brought forward from 2017/18);
- Adult Social Care Commissioning – 2019/20 action; and
- Impact of COVID-19 on the financial position of the Council – 2019/20 action.

Details of the progress made to 30th November for each of these areas was provided in Appendix 1. These showed that appropriate steps had been taken by senior officers and managers in respect of the issues identified and that these were largely in accordance with the expected targets. However, the commentary notes that there was still volatility in Children's Services commissioning and there was the potential for numbers and costs to increase. There was also a level of uncertainty in these areas depending on the impact of the second wave of the pandemic, the winter demand pressures and the possibility of a third wave.

The approach and proposed timetable for 2020/21 were also outlined.

RESOLVED –

- That the progress made to address the significant actions identified in the 2019/20 AGS be reviewed; and
- That the approach/timetable for producing the 2020/21 AGS be noted.

32 Risk Management - 2020/21 Quarter 2 Review

Colin Ferguson summarised the Risk Management report for Quarter 2 in the period from 1st June 2020 to 30th September 2020.

The Committee were asked to:

- Discuss, review and challenge the progress made on the Corporate Risk Register as at the end of Quarter 2 2020/21;
- Note the risk management activity that had occurred during the period; and
- Consider the selection of Corporate Risk for the Committee to undertake a review of its assessment, control and monitoring at its next meeting.

The Corporate Risk Register contained 15 open risks at 30th September 2020.

A summary of the corporate risk details was shared with the Committee which identified that the Corporate Risk 21, the risk the Council was unable to recover its critical functions, core services and income generating functions, during the transition and recovery phases of a COVID-19 outbreak has been closed due to the increase in the rate of Covid-19 infections in the borough, and the move into tier 3 restrictions. Instead Corporate risk 20, relating to the delivery of critical and core services and functions during the response and mitigation phase of the Covid-19 outbreak, has been re-opened.

The top three corporate risks as at 30th September 2020 were shared with Members of the Committee.

Officers have continued to make use of the risk management support that is available from Zurich Municipal as part of the current long term insurance

agreement. As well as a series of webinars, Zurich delivered a Digital Customer Week in November covering a wide range of topics.

Zurich published a wider range of guidance notes during the period which covered topics such as risk control measures for the temporary closure of premises, managing additional homeworking exposure, working from home display screen equipment (DSE) risk assessments, the cyber dimension of the corona virus, guidance on moving from response to recovery, planning for a return to the workplace and guidance for reopening schools.

The Committee then considered a Corporate Risk to look at the next meeting, and agreed that No.15 which related to comply with Health & Safety legislation and provide both a safe working environment for employees and the provision of a safe environment for service users be reviewed.

RESOLVED –

- That the report be noted
- That Corporate Risk No.15 be reviewed at the next meeting

Signed:

Date:

Chair of the meeting
at which the minutes were confirmed