

AUDIT & GOVERNANCE COMMITTEE

Tuesday, 30 March 2021

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

OFFICERS – Louise Mattinson (Director of Finance), Colin Ferguson (Head of Service Audit and Assurance), Firoza Hafeji (Governance Officer) and John Farrar (Grant Thornton)

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

RESOLUTIONS

33 **Welcome and Apologies**

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

Apologies had been received from Councillor Abdul Patel.

34 **Declarations of interest**

There were no declarations of interest received.

35 **Minutes of the Meeting held on 12th January 2021.**

The Minutes of the meeting held on 12th January 2021 were moved as a correct record.

RESOLVED – That the Minutes of the meetings held on 12th January 2021 be agreed as a correct record.

36 **External Audit- Annual Audit Letter**

The External Audit Annual Audit Letter for Year Ended 31st March 2020 was submitted.

RESOLVED – That the External Audit Annual Audit Letter for Year Ended 31st March 2020 be noted.

37 **External Audit Fees and Statutory Accounts Audit Deadlines**

The Committee was provided with a report highlighting the update on the latest position with regard to External Audit Fees for 2019/20, 2020/21 and 2021/22 and an update in respect of developments in the audit regulation timetable for 2020/21.

The Director of Finance, Louise Mattinson explained that the impact of Covid-19 has led to an increase in work Grant Thornton had to complete, and in the time it took to complete this work due to revisiting planning, increased risk around managements assumption and estimates, more detailed work on financial resilience, and remote working – in addition to the base fee of

£79,186 and the £11,000 of variations previously reported to the Committee in July 2020, Grant Thornton are now estimating that a further charge of £18,037 is required bringing the total external audit fee to £108,223 to cover areas which included:

- Revisiting planning
- Management's assumptions and estimates
- Financial resilience assessment
- Remote working

Members discussed the report and the additional charges. The Chair requested that Grant Thornton provide the Council with a satisfactory breakdown of the additional charge of £18,037.

RESOLVED –

- That the contents of the report be noted;
- That the final External Audit Fee for 2019/20 of £108,223 be approved, subject to the Director of Finance receiving a satisfactory breakdown of the additional variations.

38 External Audit- Audit Committee Progress Report

John Farrar reported on the progress of Grant Thornton in delivering their responsibilities as External Auditors, and highlighted the emerging national issues and developments.

Initial planning for the 2020/21 audit began in March and the audit plan summarising the approach to key risks will be shared with the Audit & Governance Committee in June 2021.

On 1st April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year.

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of binary (qualified/unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit

The implications of the VfM requirements was shared with the Committee which highlighted that the changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

RESOLVED – That the update be noted.

39 Treasury Management Report- December 2020 to February 2021.

The Director of Finance presented the Committee with a report on Treasury Management activity for the period of 1st December 2020 – 28th February 2021. The report summarised the interest rate environment for the period and the 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.

RESOLVED – That the Committee noted the Treasury Management position for the period, and the Treasury Management Strategy for 2021/22.

40 Audit and Assurance -Progress and Outcomes to February 2021

The Head of Audit & Assurance reported on the achievements and progress made by Audit & Assurance in the period from 1st December 2020 to 28th February 2021.

The Committee were asked to discuss, review and challenge the outcomes achieved to 28th February 2021 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 & Governance Committee during the year. Members were informed that the work completed to date has not identified any significant governance, risk management or control issues 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.

Colin highlighted that the Departmental Business Plan included seven targets to achieve the strategic aims. The defined targets and actual performance for the latest period and the previous period were noted by Members. A brief commentary on the measure where performance in the period had fallen below the agreed targets was shared with the Committee.

RESOLVED – That the Committee discussed, reviewed and challenged the outcomes achieved to 28th February 2021 against the annual 2020/21 Audit & Assurance Plan, as approved by the Committee on 29th July 2020.

41 Audit and Assurance Plan 2021/22 and Internal Audit Charter

The Committee were presented with a report, informing Members of the planned Audit & Assurance work for the forthcoming year.

The Plan and Charter defined the scope and the rationale of the approach being followed.

The Plan as a whole, is also a product of consultations with Directors and their Management Teams, and the Corporate Leadership Team, which were undertaken in February/March. Later in 2021/22 further consultations will be held to ensure that the Plan continues to meet the stated objectives. Any significant changes to reflect new developments, changes to priorities and/or resources will be reported to the Audit & Governance Committee.

The Internal Audit Charter was a requirement of the Public Sector Internal Audit Standards (PSIAS), which became mandatory from 1 April 2013. The Charter was last re-approved at the Audit & Governance Committee meeting on in July 2020. The Charter has been reviewed and up-dated to reflect recent changes in the senior management job titles. No other changes were deemed necessary for 2020/21.

RESOLVED – That the Committee:

- Approve the 2021/22 Audit & Assurance Plan (as set out in Appendices 1 and 2);
- Approve the Internal Audit Charter (as set out in Appendix 3)
- Note that reports dealing with both progress against the Plan and outcomes achieved will be submitted to each meeting; and
- Note that Plan changes will be reported during the year.

42 Risk Management- 2020/21 Quarter 3 Review

Colin Ferguson summarised the Risk Management report for Quarter 3 in the period from 1st October 2020 to 31st December 2020.

The Committee were asked to:

- Discuss, review and challenge the progress made on the Corporate Risk Register as at the end of Quarter 3 2020/21; and
- Note the risk management activity that had occurred during the period

The Corporate Risk Register contained 15 open risks at 31st December 2020.

The top three corporate risks as at that date were shared with Members of the Committee.

As part of the Council's Risk Management process the Corporate Risks are reviewed and monitored on a regular basis to ensure that the Council have appropriate, properly assessed corporate risks identified going forward. The Corporate Leadership Team review the risk details as part of the Management Accountability Framework reporting arrangements, as well as the on-going review and update of the risks by the designated risk owners and key contacts.

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

Zurich published a wider range of guidance notes during the pandemic 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. A series of risk insight podcasts have also been made available to Zurich customers to provide support through the period.

RESOLVED – That the report be noted.

43 Audit and Governance Committee Effectiveness Assessment 2020/21

The Committee were presented with the results of the annual assessment of compliance of the Audit & Governance Committee against recognised best practise recommended by CIPFA as well as a summary of Committee members' own self-assessments. The results of the various assessments were set out in appendices 1, 2 and 3 to the report.

The details included at Appendix 3 provided a summary of the responses received from the Councillors who have been members of the Committee during the Municipal Year. This also included a comparison with the results from the previous year. The overall results show that there is a belief by the members that the Committee is operating effectively, with average scores of satisfactory/partly agree or better for most questions.

The Council's Audit & Governance Committee arrangements were largely compliant with the recommended guidance. The only areas where full compliance could not be provided was:

- Question 19: The Audit & Governance Committee has not obtained feedback from others interacting or relying on its work.

However, the Committee's Annual Report was presented to Full Council for consideration, along with the minutes from the previous year's messages. This presents an opportunity to obtain feedback from Councillor colleagues at least annually.

The evaluation of effectiveness document (Appendix 2) had been completed by the Head of Audit & Assurance on behalf of the Committee. The previous version was appended to the Audit & Governance Committee's annual report considered by this Committee on 29th July 2020. It noted the additional challenge of corporate risks that the Committee now carried out on a regular basis, and the senior officer attendance at its meetings to update Members on progress of agreed actions from key reports. It also noted that the Committee now received a Counter Fraud Annual Report.

Across five areas the score was evaluated at 4 out of a possible 5, demonstrating: "clear evidence from some sources that the Committee is actively and effectively supporting improvement across some aspects of this area". For the remaining four areas evaluated, the assessed score was 5, demonstrating: "clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable".

RESOLVED – That the Committee note and approve:

- That the Audit & Governance Committee’s position when compared to the CIPFA good practice checklist (Appendix 1) and the additional actions noted;
- That the Evaluation of Effectiveness of the Audit & Governance Committee, produced by the Head of Audit & Assurance on behalf of the Chair of the Committee (Appendix 2); and,
- That the summary results from the individual Committee member self-assessments of the overall effectiveness of the Committee (Appendix 3).

44 Significant Partnerships Register 2020/21

Members noted the update report submitted on Significant Partnerships Register 2020/21. The Register identified all the significant partnerships the local authority was involved in as per the Audit & Governance Committee’s Terms of Reference.

The Significant Partnerships Register was developed to determine what partnerships exist across the Council and of these, which ones would class as ‘significant’ (as defined by the Council’s Code of Corporate Governance). The Register provides an annual opportunity to ensure that partnerships throughout the local authority are well governed and that appropriate oversight is in place.

The Significant Partnerships Register 2020/21 has been updated with new partnerships, some of which have been created to support the Council’s and Lancashire Resilience Forum’s response to the COVID-19 pandemic. The nature of the pandemic has resulted in over twenty-five groups being involved in the response (appendix 2). Whilst not all of these groups are new or can be classified as significant partnerships, it highlights the breadth of partners involved in the response.

New partnerships included in the register this year were noted as:

- Local Outbreak Engagement Board
- Health Protection Board
- Barnfield Blackburn Ltd

The complete updated Register was shared with the Committee in Appendix A.

RESOLVED – That the Audit & Governance Committee reviewed and approved the significant partnerships submitted for inclusion in the 2020/21 register.

Signed:

Date:

Chair of the meeting
at which the minutes were confirmed