

# AUDIT & GOVERNANCE COMMITTEE

## Tuesday, 26 October 2021

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

**OFFICERS** – Dean Langton (Director of Finance), Colin Ferguson (Head of Service Audit and Assurance), Corinne McMillian (Strategic Head of Service, HR & Engagement), Neil Simms (Lead HR Consultant), Firoza Hafeji (Governance Officer), and John Farrar (Grant Thornton)

### RESOLUTIONS

#### 57 **Welcome and Apologies**

The Chair welcomed everyone to the meeting. Apologies were received from Cllrs Jon Baldwin and Vicky McGurk.

#### 58 **Declarations of interest**

Declaration of interest was received from John Farrar for Item 8 on the agenda, “Arrangements for the Appointment of the External Auditor”, for the nature of interest as incumbent external auditor, Grant Thornton UK LLP has an interest in potential future appointment as the Council’s external auditor. John left the meeting after item 7.

#### 59 **Minutes of the meeting held on 29th June 2021**

The Minutes of the meeting held on 29<sup>th</sup> June 2021 were moved as a correct record and signed by the Chair subject to the inclusion of apologies received from Cllr Neil Slater and not Cllr John Slater.

**RESOLVED** – That the Minutes of the meeting held on 29<sup>th</sup> June 2021 were approved as a correct record and signed by the Chair subject to the amendment highlighted.

#### 60 **Corporate Annual Report on Health & Safety 2020/21**

The Lead Human Resources Consultant, Neil Simms, provided the Committee with the Council’s Annual Health & Safety Report for 2020/21.

It was noted that 2020/21 proved to be a challenging year for all at Blackburn with Darwen Borough Council due to the onset of the Covid pandemic. 2021/22 has seen those challenges continue as the Health and Safety team continued to help fight the ongoing effects of the pandemic.

Members heard that the Events Safety Advisory Group (ESAG) reformed at the end of March to co-ordinate events that were planned following the lifting of some restrictions. Members of the Health and Safety Team sat on the Covid sub-team of ESAG to advise on the submission of event plans and risk assessments.

Key aspects of the report were summarised which identified that there were 385 accidents, incidents and near miss reported in 2020/21 which was a significant decrease of 48% from 2019/20, where 73% of incidents were reported. In the main, this was due to the number of services and building being closed or reduced due to the pandemic.

A graph was enclosed with the agenda which demonstrated that slips, trips and falls remained the highest contributory factor in council accidents and the 'other' category remained second.

For 2020/21 there were 7 cases reported under the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations 2013 (RIDDOR) to the Health and Safety Executive (HSE). In 2019/20 there were 8 cases reported.

Covid-19 had clearly been the main challenge for the council over the 2020/21 reporting period introducing new challenges that were not present in previous reporting regimes. There was a requirement for safe working practices specific to the virus. There were also additions to the incident rate and challenges around working remotely from home. Mental health issues were highlighted following a sustained period of remote working. Similarly, there were anxieties about returning to the workplace after such a period of being away. There was a need for consistency and requirement for the formulation of departmental risk assessments that had not been required previously.

Focus for the next 12 months were shared with the Committee which highlighted that over the coming year the team intended to build on the positive work, ensuring health and safety was built in to the way the council operated. The key areas of focus and actions were noted by the Committee which included continuing to assist with the Covid security strategy offering support and advice via site visits and helpline.

**RESOLVED** – That the report be noted.

## **61 External Audit - Audit Plan 2020/21**

The Council's External Auditor, John Farrar provided the Committee with a report on their plan for the 2020/21 statutory audit.

The report provided an overview of the planned scope and timing of the statutory audit.

Initial planning for the 2020/21 audit began in April 2021 and the final accounts audit is to take place between September – December 2021. An Auditor's Annual Report will be issued within three months of completing the accounts opinion work, in line with the National Audit Office's recent auditor guidance.

Risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of Property, Plant and Equipment
- Valuation of the Pension Fund net liability

The significant findings on these areas will be summarised in the Audit Findings (ISA 260) report.

In 2017, Public Sector Audit Appointment Ltd (PSAA) awarded a contract of audit for Blackburn with Darwen to begin with effect from 2018/19. The fee agreed in the contract was £79,186. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit. The proposed fee for the 2020/21 audit will be £132,186.

**RESOLVED** – That the report be noted.

## **62 External Audit Fees 2020/21**

The Director of Finance presented the External Audit Fees 2020/21 report informing the Committee of the proposed Audit Fees for 2020/21 from Grant Thornton for the audit of the Council's Statement of Accounts and the work necessary to report on the Council's arrangements for value for money.

At the Audit and Governance Committee held on 30<sup>th</sup> March 2021, Members were provided with a report giving an update on fees chargeable by the Council's External Auditors, Grant Thornton. The report also highlighted that the Government was to make available £15M to local authorities in 2021/22 to meet an expected increase in External Audit Fees arising from changes to the Code of Audit Practice and new reporting requirements recommended by the Redmond Review into Local Public Audit and Local Authority Financial Reporting.

On 9<sup>th</sup> September 2021, Grant Thornton notified the Council of their proposed fees for audit of the Council's Statement of Accounts for 2020/21 and the work to be undertaken to assess the Council's arrangements for value of money.

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Scale Fee	79,186	79,186	79,186
Other Fees	10,000	29,037	53,000
<b>Estimated Audit Fees</b>	<b>89,186</b>	<b>108,223</b>	<b>132,186</b>

Members noted that the fees had increased as a consequence of a range of factors including changes to the Code of Audit Practice, impact of Covid-19 and much more in-depth work on value for money with a particularly focus on financial resilience.

The Committee noted that, as set out in Audit Plan for 2020/21 and in line with previous years, the Council was also required to pay for the audit of the Housing Subsidy Return (£11,700) and Teachers Pension Return (£5,985).

The financial implications to the Council's budget for External Audit Fees in 2021/22 is £91,900. On the basis of the information contained in the report, the cost of External Audit Fees for 2021/22 was estimated to be £132,186 plus a further £17,685 for non-audit services. Assuming these fees are confirmed, and taking into account the grant funding from Government and the rebate from PSAA Ltd, the next cost of audit fees for 2021/22 is expected to be £93,430.

**RESOLVED** – That the Committee:

- a) Approved in principle the proposed Audit Fees for 2021/22 as set out in the report, subject to the outcome of PSAA consideration of the additional audit fees proposed by Grant Thornton;
- b) Noted the additional grant funding to be made available by the Government for additional External Audit Fees and the rebate from PSAA.

### **63 Response to the External Auditors Request for Information**

The Committee were presented with a report which summarised how the Audit & Governance Committee gains assurance, as ‘those charged with governance’, from management in order to fulfil its responsibilities in relation to the financial reporting process.

The Members heard that the Council’s external auditor, Grant Thornton, was required to comply with the requirements of the International Standards on Auditing (UK) (ISA), as adopted by the UK Financial Reporting Council (FRC), in conducting the audit of the Council’s financial accounts for the year ended 31 March 2021.

As part of the risk assessment procedures Grant Thornton was required to obtain an understanding of the management processes, and the Committee’s oversight, of the following areas in respect of the year ended 31 March 2021;

- General Enquiries of Management
- Fraud
- Laws and Regulations
- Related Parties; and
- Accounting Estimates

Grant Thornton sent a questionnaire to the Council setting out their enquiries of management covering the above areas. The information provided by the Council would assist Grant Thornton in understanding the Council’s business processes and support its work in arriving at an audit opinion for the 2020/21 accounts.

**RESOLVED** – That the Committee considered and approved the response which was attached as Appendix 1.

### **64 Arrangements for the Appointment of the External Auditor**

The Director of Finance provided the Committee with a report on an invitation received from Public Sector Audit Appointments (PSAA) Ltd to become an opted in authority to the national scheme for the procurement of external audit services with effect from the financial year 2023/24.

In 2014, the then Government undertook a range of structural reforms to the external audit framework for local public audit (including the arrangements for local government). This led to abolition of the Audit Commission and the decentralisation of the framework for the provision of external audit services to local public services.

The arrangements for the appointment of external auditors under the new regime are set out in the Local Audit and Accountability Act 2014 (the Act). The

Act provides for the creation of a locally-led audit regime providing local authorities with greater flexibility over the procurement of their external audit service.

The Council's current contract for the provision of external audit expires with the conclusion of the audit of the Council's Statement of Accounts and arrangements for Value for Money in 2022/23. In accordance with the Act, the Council must have appointed an external auditor for the audit of the Council's Statement of Accounts for 2023/24 onwards before the end of December 2022.

**RESOLVED** – That the Committee approved the recommendations as:

- a) Note the requirement for the Council to appoint an external auditor for the audit of the Statement of Accounts for 2023/24 (and subsequent years) no later than December 2022;
- b) Note the requirement to notify PSAA Ltd of the Council's decision whether opt-in to the national procurement process no later than 11<sup>th</sup> March 2022;
- c) That a further report on this matter be presented to the Audit and Governance Committee on 18th January 2022 with a view to making a recommendation to Finance Council in early March 2022.

## **65 Treasury Management Report - June to August 2021**

The Director of Finance presented the Committee with a report on Treasury Management activity including a Mid-Year Strategy Review for 2021/22. 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 £50M and £85M. 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 small 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.

On 31<sup>st</sup> August, the Council had approximately £54.2M invested, compared to £72.7M at the start of the period. The breakdown of the closing investment balance was shared with the Committee.

The Committee noted that the Council's actual long-term debt is significantly below the Capital Financing Requirement (CFR) and the gap has widened as long-term debt has been repaid. Up to the end of May, there was a decrease in short-term borrowing of £28M, as loans of £33M were repaid and £5M of new loans were taken.

The Treasury Management Strategy for 2021/22 was approved by the Executive Board on 11<sup>th</sup> March 2021 and since then a mid-year review

(Appendix 6) has been undertaken and will be shared with the Executive Board on 10<sup>th</sup> November 2021, as part of the budget monitoring process.

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

**RESOLVED** – That the Committee noted the Treasury Management position for the period.

## **66 Audit & Assurance - Progress & Outcomes to September 2021**

The Head of Audit & Assurance reported on the achievements and progress made by Audit & Assurance in the period from 1<sup>st</sup> June 2021 to 30<sup>th</sup> September 2021.

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 had not identified any significant governance, risk management or control issues to bring to the Committee's attention at this time.

The report also highlighted the key issues and outcomes achieved in the year to 30<sup>th</sup> September 2021 for Counter Fraud Activity, Internal Audits, PSIAS Compliance Peer Review Exercise and Internal Audit Performance.

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

Members also noted that the results of the Peer Review concluded that the internal audit team conforms with the requirements of the PSIAS across all areas of focus.

The Head of Audit & Assurance 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 30<sup>th</sup> September 2021 against the annual Audit & Assurance Plan 2021/22, as approved by the Committee on 30<sup>th</sup> March 2021.

## **67 Risk Management - 2021/22 Quarter 1 Review**

The Head of Audit & Assurance summarised the Risk Management report for Quarter 1 for the period of 1<sup>st</sup> April 2021 to 30<sup>th</sup> June 2021.

The Committee were asked to:

- Discuss and review the Corporate Risk Register as at the end of Quarter 1 2021/22;
- 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 30<sup>th</sup> June 2021. A summary of the corporate risk details were shared with the Committee in Appendix 1. As at 30<sup>th</sup> June 2021 the Council's top corporate risks were:

- Risk 1 - Failure to deliver a balance budget and Medium Term Financial Strategy, which may result in a Government Commission taking control of the Council's finances; and
- Risk 14 - A high profile serious/critical safeguarding incident/case that is known to the Council services, in light of Covid-19 working arrangements.

The residual risk score for Risk 21, *"The Council is unable to recover its critical functions, core services and income generating functions during the transition and recovery phases of Covid-19 outbreak, due to financial impacts, high staff absences and a failure of effective business continuity arrangements"* was reduced during the quarter from high to medium.

Officers have continued to use the risk management support that was available from Zurich Municipal as part of the current long term insurance agreement. During the period, Zurich delivered health & safety awareness training for senior managers. Guidance was also provided covering the health, safety and well-being considerations of agile workers and some of the challenges around homeworking.

Zurich had also published a wider range of risk management guidance during the pandemic. These have covered topics such as risk control measures for the cyber dimension of the coronavirus, guidance on moving from response to recovery, planning for a return to the workplace and guidance for reopening schools. These have been circulated to relevant managers to share with staff.

The Committee then considered a Corporate Risk to look at the next meeting, and agreed Risk No 14, *"High profile serious/critical safeguarding incident/case that is known to Council services in light of Covid-19 working arrangements"* be reviewed.

It was noted that the risks are reviewed prior to the meeting and Sayyed Osman and Jayne Ivory be invited to the pre-meeting.

**RESOLVED –**

- That the report be noted
- That Corporate Risk No.14 be reviewed at the next meeting and relevant Officers be invited.

Signed: .....

Date: .....

Chair of the meeting  
at which the minutes were confirmed