

AUDIT & GOVERNANCE COMMITTEE
Tuesday 28th June 2022

PRESENT – *Dave Harling (in the Chair.) Councillors Baldwin, Sidat, Imtiaz and Neil Slater.*

OFFICERS – *Dean Langton (Director of Finance), Colin Ferguson (Head of Service Audit and Assurance), Paul Conlon (Democratic Services),*

The Councils Auditors- John Farrar (Grant Thornton).

RESOLUTIONS

1. Welcome and Apologies

The Chair welcomed everyone to the meeting. Apologies for absence were submitted on behalf of Councillor Fielding.

2. Declarations of interest

No Declarations of interest were made by members of the Committee.

3. Minutes of the meeting held on 29th March 2022

The Minutes of the meeting held on 29th March 2022 were submitted.

RESOLVED – That the Minutes of the meeting held on 29th March 2022 be approved as a correct record and signed by the Chair.

4. Annual Health and Safety Report

A report was submitted relating to the Health and Safety team's activity during the period from April 2021 to March 2022. It highlighted the key areas of focus that were under way for the current financial year, most of which would focus on 'back to basics' in terms of health and safety management as the Council transitioned its focus from Covid to business and usual. To begin this, the Corporate Health & Safety Policy had been reviewed, updated and shared with employees.

During 2020/21, a lot of our work was still dominated by the effects of the pandemic and the team's efforts to support with achieving Covid security and ensuring appropriate advice and guidance, both internally to council services and externally to community settings, schools and external businesses during this time. As well as providing this ongoing support, the team worked hard to deliver an exceptional service to schools, undertaking full Health & Safety audits

at 45 schools across the Borough. In addition, concentrated support was provided to higher risk services based at Davyfield Road depot and services within Adult Social Care, this included inspections, risk assessments reviews and training delivery.

RESOLVED- That the report be noted.

5. External Audit Annual Report 2020/21.

The Annual Letter summarised the key findings and other matters arising from the external audit work carried out for the year ended 31 March 2021. It provided a commentary of the results of the work and highlighted any issues to draw to the public's attention.

Work on the financial statements was substantially complete, except for a national issue that had arisen concerning infrastructure assets. A CIPFA task and finish group was considering this matter. Once its findings were available, External Audit would consider the impact on the financial statements.

The report also provided a commentary on the Council's value for money (VFM) arrangements under three specified criteria; Financial sustainability, Governance and Improving economy, efficiency and effectiveness. No risk of significant weaknesses were identified in any of these areas. Six improvement recommendations had been made. These were set out in the report and included management's responses. In addition, a commentary was provided on the impact of Covid-19 on the Council.

The following conclusions were set out in respect of each area.

Financial sustainability: The Council is well managed and there is a high level of understanding of its budgetary position, budgetary pressures and any saving required. There is an established process of regular budget reviews and issues reported to those charged with governance in a timely manner. Five opportunities for improvement were identified.

Governance: Overall, no evidence was found of significant weaknesses in the arrangements for ensuring the Council makes informed decisions and properly manages its risks. One opportunity for improvement was identified.

Improving economy, efficiency and effectiveness: Overall, the External Auditor was satisfied the Council has appropriate arrangements on place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

Covid-19 arrangements: No significant weaknesses were identified in the VFM arrangements for responding to the Covid -19 pandemic.

External audit noted that they did not have cause to use any of the formal powers that they had under relevant sections of the Local Audit & Accountability Act.

RESOLVED- That the report be noted.

6. Treasury Management Report- March 2022 to May 2022

A report was submitted which provided a summary of the treasury management activity and performance in the period. The Council had

approximately £65.8M invested at 31 May 2022 and short term loans of £25.0M.

Excluding the issue noted in the Treasury Management Annual Report later on the agenda, the activity was within the agreed Prudential and Treasury indicators set by the Council for the year.

RESOLVED-

That the Committee notes the Treasury Management position for the period.

7. Treasury Management Annual Report 2021/22

This report summarised the Treasury Outturn for 2021/22 against the Treasury Management Strategy agreed by Executive Board in March 2021. As at 31 March 2022, net borrowing was £119.6M compared to £165.4M at 31 March 2021. Total investments at the year-end were £42.2M. There was a technical breach of an approved lending limit at the end of March 2022 where the investment limit set in the Treasury Management Strategy was exceeded by £135k for one of the Council's call accounts. This breach occurred due to an error with the warning alerts in the treasury management system, which was identified and fixed immediately. A transfer was made the next day to bring the balance back below the investment limit set. Excluding this issue, the activity was within the agreed Prudential and Treasury indicators set by the Council for the year.

RESOLVED-

That the Committee note the Treasury Management outturn position for 2021/22 as reported.

8. Audit & Assurance Progress & Outcomes 1 March 2022 to 31 May 2022

Members received a report which set out the progress on the audit work during the period compared to the approved audit plan. This covered corporate governance, counter fraud and internal audit activity, along with other audit related work carried out by Audit & Assurance staff. It included an update on progress of the outcomes of the follow up of data matches from the Cabinet Office led National Fraud Initiative and a summary of the eight red priority areas identified in the year-end Directors Exception/Dashboard reports.

The overall opinions for the five internal audits completed in the period were summarised, along with a commentary on the key issues noted in the part limited assurance opinion audit report. This limited opinion would not have a significant impact on the overall control environment in place within the Council.

RESOLVED-

That the outcomes achieved to May 31st 2022 against the annual audit and assurance plan 2022/23 be noted.

9. Outcome from Government Technical Consultation on the Local Audit Framework

The report set out the results of Government consultation on implementation of the recommendations of the Redmond Review of the local audit framework. The consultation concerned a broad range of matters, the majority of which related to the creation, governance and operation of a new body that would provide system leadership for local audit. The body would have overarching responsibility for the local audit quality framework and take over statutory responsibility for preparing and issuing the Code of Audit Practice and associated guidance notes, currently the role of the National Audit Office. This was the Code that the external auditors were required to comply with when carrying out their audit of the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources.

A key part of the consultation directly affecting local authorities were proposals relating to Audit Committees and strengthening the guidance on committees. The Chartered Institute of Public Finance & Accountancy (CIPFA) had recently published an updated Position Statement and supporting guidance on Audit Committees. The key outcome was that the Government would mandate that Councils must have an Audit Committee, with at least one independent member.

The Council was well placed on this matter with the Audit & Governance Committee having discharged the responsibilities of an Audit Committee for some time. The July Council Forum meeting would be asked to agree to co-opt two independent (non-voting) members onto the Committee to ensure compliance with the CIPFA guidance

RESOLVED - That the report be noted.

10. New CIPFA Guidance on Audit Committees

Members received a report which presented the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022 to the Committee for review and comment along with an assessment of the Council's current arrangements for the Audit & Governance Cttee against the new guidance. CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This would enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The results of the self-assessment indicated that, with the exception of having two co-opted independent Committee members, the Council's arrangements were in line with the guidance.

RESOLVED-

1. That the report be noted.
2. That the Committee note the assessment of the current arrangements against the new position statement.

11. Annual Risk Management Report 2021/22

The Committee received the Annual Risk Management Report to support it in fulfilling its responsibility, under its terms of reference, to ensure there are adequate risk management arrangements in place, which had operated effectively during the previous year.

The report provided a summary of the risk management activity and key achievements for the year ended 31 March 2022 along with planned developments for the next twelve months. The risk management framework and associated systems and procedures should ensure the Council had adequate and effective risk management and resilience arrangements in place to ensure that key business objectives were met. Commentary on the changes in corporate risks was also provided.

The report covered the following areas:

- Risk Management;
- Resilience - Emergency Planning and Business Continuity;
- Events;
- Information Governance; and
- Insurance.

The report provided evidence to the Committee that, overall, the Council had adequate risk management arrangements in place and these had operated effectively during the year ended 31 March 2022.

RESOLVED-

1. That the report be noted
2. That the conclusions on the overall effectiveness of the risk management arrangements in place during 2021/22 be agreed.

12 Annual Counter Fraud Report 2021/22

A report was submitted which provided a summary of the counter fraud activity during 2021/22. This included the successful prosecution of a direct payments fraud and the results of work to the end of March 2022 to follow-up data matches identified from the National Fraud Initiative 2020/21, which was co-ordinated by the Cabinet Office and was currently on going.

The report provided assurance that there were effective measures in place within the Council to enable the prevention and detection of fraud and irregularities.

RESOLVED- that the Counter Fraud annual report be noted.

13. Head of Internal Audit Annual Opinion Report 2021/22

The Head of Audit was required to produce an annual report providing an overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control that meets the requirements of the Public Sector Internal Audit Standards. The report included a summary of the work carried out during the year against the audit plan approved by the A&G

Committee in June 2021, and the opinions provided for each audit review finalised during the year. The details of the individual audits had previously been reported to the Committee during the year as part of the regular Audit & Assurance progress reporting arrangements. Details of other sources of assurance with support the overall opinion were also summarised.

The report noted that:

- Whilst there Council had had reduced capacity to be fully audited during the year, and resources have had to be redeployed in some instances to respond effectively to the pandemic, sufficient evidence has been obtained to support the overall opinion for the year.
- Overall, the Council had adequately designed systems of risk management, control and governance, which are being operated effectively during the year.
- No limitations were placed on the scope of work carried out by Internal Audit during 2021/22;
- None of the qualifications from the audit reviews completed during the year that informed the annual internal audit opinion constituted a material weakness in the Council's overall governance framework that required disclosure in the 2021/22 Annual Governance Statement (AGS) ; and
- The outcome of the Ofsted Inspection of Children's Services, which concluded that overall effectiveness required improvement to be good, which was a significant issue which required inclusion in the AGS.

RESOLVED-

1. That the content of the Annual Internal Audit Opinion Report for 2021/22 (as set out in Appendix A) be noted;
2. That the overall annual opinion of the Head of Audit & Assurance, which is that **adequate assurance** can be placed upon the Council's framework of governance, risk management and internal control be agreed; and
3. That the internal audit work that supports this opinion has been delivered in accordance with the Public Sector Internal Audit Standards (PSIAS) and that there are no significant areas of non-conformance be noted.

14. Annual Governance Statement (AGS) for 2021/22

The AGS was a statutory requirement for local government bodies set out in the Accounts & Audit Regulations 2015. It was an accountability statement from the Council to stakeholders on how well the Council had delivered on governance over the previous year. It explained the key governance processes and procedures in place to enable the Council to carry out its functions effectively during the 2021/22 financial year and up to the date of the June Committee meeting. It included an update on the actions to address the three significant governance issues identified in the 2020/21 AGS and an action plan to address those significant governance issues identified during 2021/22.

The Committee was required to consider the draft AGS before it was signed by the Leader and Chief Executive. It would then be published alongside the Council's 2021/22 Statement of Accounts.

The following significant issues were noted for 2021/22:

- Children’s Services Financial Position;
- Adult Social Care Commissioning;
- The long term financial sustainability of the Council;
- Children’s Services Ofsted Inspection Findings;
- Teachers’ Pension Agency Year End Certification and audit; and
- Performance Management System.

RESOLVED-

That the Draft Governance Statement be approved.

15. Audit & Governance Committee Annual Report 2021/22

The report provided a summary of the Committee’s performance during the last year and in accordance with the CIPFA guidance for Local Authority and Police Audit Committees. The report provided details of the work of the Committee and reports it received which evidenced that the Committee had been effective in fulfilling its terms of reference during 2020/21. It also included the results of the self-assessments against the CIPFA guidance for Audit Committees.

The details provided demonstrated that adequate consideration had been given to all the core areas identified to enable the Committee to fulfil its role and responsibilities

RESOLVED-

1. That the Committee’s Annual Report be approved and;
2. That the report to Full Council for endorsement.

signed:

Date:

Chair of the meeting
at which the minutes were confirmed