

AUDIT & GOVERNANCE COMMITTEE

HELD: Tuesday, 31 January 2023

Start: 7.00 pm

Finish: 8.43 pm

PRESENT:

Councillor: E Pope (Chairman)

Councillors: P O'Neill J Finch
N Furey J Gordon
R Molloy D Owen
I Rigby D Westley

In attendance: Georgia Jones, Director, Grant Thornton
Kelly Jarvis, Grant Thornton Observer

Officers: James Pierce, Head of Finance, Procurement and Commercial Services
Jacqueline Pendleton, Corporate Compliance & Governance Manager
Rebecca Spicer, Insurance and Risk Officer
Catherine Kirwan, Procurement Manager
Jennifer Lunn, Senior Legal Executive/Assistant Solicitor
Julia Brown, Democratic Services Officer
Chloe McNally, Democratic Services Officer

1 APOLOGIES

There were no apologies received.

2 MEMBERSHIP OF THE COMMITTEE

In accordance with Council Procedure Rule 4, the Committee noted the termination of Councillors D Daniels and I Davis, and the appointment of Councillors D Westley and I Rigby for this meeting only, thereby giving effect to the wishes of the Political Groups.

3 URGENT BUSINESS

There were no urgent items of business.

4 DECLARATIONS OF INTEREST

There were no declarations of interest.

5 MINUTES OF PREVIOUS MEETING

RESOLVED: That the Minutes of the meeting held on 25 October 2022 be received as a correct record and signed by the Chairman.

6 PUBLIC SPEAKING

There were no items under this heading.

7 EXTERNAL INTERIM ANNUAL AUDITOR'S REPORT (AAR) 2020/21

Consideration was given to the External Interim Annual Auditor's Report (AAR) 2020/21 as contained on pages 353 to 386 of the Book of Reports, the purpose of which was to receive the Auditors Annual Report from our External Auditors Grant Thornton.

The Chairman welcomed and invited Georgia Jones, Director, Grant Thornton, to present the report to the Committee.

Two significant weaknesses were identified in the interim report, firstly, the Council does not have satisfactory arrangements in place to prepare timely financial statements that are free from material error. Secondly, the Council does not have satisfactory arrangements in place to ensure the role of Internal Audit has the required impact and effectiveness due to the change in responsibilities and reporting structure.

Comments were made by the Head of Finance, Procurement and Commercial Services as follows:

- Resources have been asked for to facilitate the centralisation of the Procurement Service
- Significant changes around re-setting the basic processes has progressed
- Recommendations from the report have been accepted and progressed

Questions from members included:

- Will Grant Thornton look at Tawd Valley Development's accounts, big projects and investments, or the decisions and information related to the transactions?
- Can examples be provided for the benefits of the centralisation of procurement?
- Is it being considered to look at working with other commercial services to utilise frameworks in place?
- Can it be established we've got value for money on transactions?
- Recommendations are to be followed through to ensure they are complied with

The Director of Grant Thornton confirmed that they will not be completing an audit on Tawd Valley Development's accounts, big projects and investments, or the decisions and information related to the transactions as this would be for their External auditor to do. They then would only look to ensure that the accounts have been prepared in accordance with accounting policy and are free from material error. Grant Thornton would only look at this if there was potentially something wrong. The purpose of Grant Thornton's audit would be to make sure the arrangements and processes are in place to ensure appropriate decisions are made within the Council.

It would also look to ensure that the Group Accounts had been incorporated into the Council's Annual Accounts in a proper manner.

The Head of Finance, Procurement and Commercial Services confirmed that the electricity contract has been investigated, leading to significant savings as the contract in place would have cost a lot more. Standards are being enforced by management, and processes will be centralised to go through the central Procurement Team – resulting in consistency of practice and tighter control and governance around procurement processes.

The Procurement Manager confirmed that other frameworks in place from Crown Commercial Services are being considered, to utilise the frameworks and avoid carrying out work that has already been done elsewhere.

The Director of Grant Thornton confirmed that the audit is to help put the processes and arrangements in place so members can assess value for money themselves, this isn't something the audit can assess.

RESOLVED: That the External Interim Annual Auditor's Report be noted.

8 **EXTERNAL INTERIM AUDIT FINDINGS REPORT FOR WEST LANCASHIRE BOROUGH COUNCIL (AFR) 2020/21**

Consideration was given to the External Interim Audit Findings Report for West Lancashire Borough Council (AFR) 2020/21 as contained on pages 387 to 444 of the Book of Reports, the purpose of which was to receive the Interim 2020/21 Audit Findings Report from our External Auditors Grant Thornton.

The Chairman invited Georgia Jones, Director, Grant Thornton, to present the report to the Committee.

In VFM conclusions a number of concerns were raised, the Council does not have satisfactory arrangements in place to prepare timely financial statements that are free from material error, 2020/21 accounts are still outstanding and prior year adjustments are required for 2019/20. In addition, the Council does not have satisfactory arrangements in place to ensure all procurement processes are followed.

Comments and Questions were raised as follows:

- Will accounts have to be re-issued in respect of 2019/20?
- What is the plan for completion, is an action or time plan in place?
- What is the reason behind valuations not being agreed with?
- Can formal instructions for valuations be put in place for the next audit?
- What asset register are we using and how is this work completed?

The Director of Grant Thornton confirmed that they anticipate having an audit report in place for each Audit & Governance Committee meeting, but they are reliant on officers getting the information to them, therefore, the time frame is depending on

this. She also noted that Grant Thornton haven't got enough evidence to support valuations, so can't say if they are right or wrong. They will need to see the information and background behind the valuations to assess this. The Finance and Estates Teams are working with Grant Thornton to finalise this work.

The Head of Finance, Procurement and Commercial Services confirmed that they will be looking to outsource future valuation work via a framework and will be ensuring that any provider is cited on the external audit requirements regarding this valuation work. He also noted that the asset register is currently maintained on spreadsheets and that a proposal had been included in the Budget Report to February Council asking for funds to purchase an electronic system which will be a more efficient method of managing this aspect of the accounts. In relation to the question raised about the lack of an asset register, the Head of Finance explained to members that they were referring to an Asset Management Plan for the commercial property estate and this was a separate issue.

- RESOLVED:
- A. That the External Interim Audit Findings Report for West Lancashire Borough Council (AFR) 2020/21 be noted.
 - B. It was requested, by all members, that a copy of this Interim Report be presented to Full Council. Comment was made that these weaknesses are the responsibility of all Councillors, and they should all be aware of the issues.

9 **INTERNAL AUDIT ACTIVITIES - PROGRESS REPORT - JANUARY 2023**

Consideration was given to the report of the Head of Finance, Procurement and Commercial Services as contained on pages 445 to 458 of the Book of Reports, which advised of progress against the 2022/23 Internal Audit Plan.

The Corporate Compliance & Governance Manager outlined the report and responded to comments and questions raised by Members:

- Are staff taking risks seriously, how can it be checked that people are taking on board risk training?
- The risk of fraudulent funding
- Can someone be trained up and given the work, as there is a large amount to complete
- Will further risk assessments be completed?

The Corporate Compliance & Governance Manager confirmed that the Corporate Director of Transformation, Housing & Resources has been having conversations with Heads of Service regarding risk and review of risk to ensure this is taken seriously. The Heads of Service will get red, amber, or green actions to take away from these conversations. She noted that the risk of fraudulent funding is being picked up through the benefits audit, and reassured Members that fraud is always a concern and at the forefront of every auditor's mind when conducting their audit work. Controls have been built in to help reduce this risk, and internal audit have been consulted, to ensure grants are being paid suitably.

The Corporate Compliance & Governance Manager noted that it is proving difficult to recruit auditors, so succession planning seems the way forward. This will allow someone to be trained and benefit the team in the long run. She also added that risks will be assessed continuously throughout.

RESOLVED: That Members note progress in the year to date.

10 **RISK MANAGEMENT FRAMEWORK UPDATE & ANNUAL REPORT**

Consideration was given to the report of the Head of Finance, Procurement & Commercial Services as contained on pages 459 to 524 of the Book of Reports, the purpose of which was to set out details of the operation of the risk management framework over the last twelve months as detailed in the Risk Management Annual Report 2022, recommend changes to the current Risk Management Policy & Strategy, and Toolkit, and share the findings of an external risk review.

The Risk and Insurance Officer outlined the report and responded to comments and questions raised by Members:

- Staff need to take risks seriously
- The report looks useful, and the Risk and Insurance Officer was praised on her report
- The rating given in the report was above the average rating provided by Zurich for local authorities demonstrating the Councils strong commitment to managing risk effectively.

The Risk and Insurance Officer confirmed that actions are in place to work with audit and on operational risk management, as well as the plans to implement training and practical workshops.

- RESOLVED:
- A. That the continuing effective operation of the risk management framework as detailed in the Risk Management Annual Report 2022 (Appendix A) be noted.
 - B. That the proposed amendments to the Risk Management Policy & Strategy (Appendix B) and Toolkit (Appendix C) be endorsed for approval by Cabinet in March 2022.
 - C. That the findings of the Risk Management Health Check conducted by Zurich, as set out in paragraph 8 of the report, be noted.

11 **REGULATION OF INVESTIGATORY POWERS ACT (RIPA) REGULAR MONITORING OF USE OF POWERS**

Consideration was given to the report of the Legal and Democratic Services Manager as contained on pages 525 to 526 of the Book of Reports, the purpose of which was to report on the Council's use of its powers under the Regulation of

Investigatory Powers Act 2000 (RIPA).

RESOLVED: That it be noted that the Council has not had cause to use its powers under the Regulation of Investigatory Powers Act 2020 (RIPA) during the last 12 months.

12 **WORK PROGRAMME**

Consideration was given to the Committee's 2022/23 Work Programme as set out on pages 527 to 528 of the Book of Reports.

RESOLVED: That the Work Programme be noted.

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Chairman