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| Minutes of | Governance Committee |
| Meeting date | Tuesday, 24 May 2022 |
| Committee members present: | Councillors Colin Sharples (Vice-Chair), Damian Bretherton, Derek Forrest, Margaret Smith, Alan Ogilvie and Kath Unsworth |
| Committee members attended virtually (non-voting): | Councillor Angela Turner |
| Officers present: | Gary Hall (Chief Executive), Louise Mattinson (Director of Finance and Section 151 Officer), Chris Moister (Director of Governance), Dawn Highton (Shared Service Lead- Audit & Risk), Jacqui Murray (Senior Auditor) and Coral Astbury (Democratic and Member Services Officer) |
| Other attendees: | Councillors Paul Foster, Keith Martin, Phil Smith and Karen Walton, Aniela Bylinski Gelder (attended virtually) and Mick Titherington (attended virtually) |
| Public: | 0 |

1 Apologies for absence

Apologies were received from Councillors David Shaw and Ian Watkinson.

Councillor Forrest attended as substitute for Councillor Watkinson and Councillor Turner attended virtually as substitute for Councillor Shaw.

As the Chair submitted apologies for the meeting, Councillor Colin Sharples (Vice-Chair) chaired the meeting.

2 Declarations of Interest

There were no declarations of interest.

3 Minutes of meeting Tuesday, 29 March 2022 of Governance Committee

Councillor Ogilvie referred to the previous minutes and requested that a copy be circulated to all members on committee highlighting the amended wording. The Democratic and Member Services Officer agreed to provide the amended minutes outside of the meeting.

Councillor Turner asked for a report detailing payments to suppliers, the Director of Governance agreed to provide the report outside of the meeting.

Resolved: (Unanimously)

That the minutes be agreed as a correct record for signing by the Chair.

4 Audit Progress Report and Sector Update

The Council's External Auditors presented their report and advised that they had largely completed audit planning in preparation for the final audit on the financial statements. The External Auditor's advised that they had now certified the housing benefit claim to the Department for Work and Pensions (DWP) on 25 March.

The External Auditor advised they were proposing an additional fee of £35k in relation to the 2020/21 audit for two reasons. Due to the IT system upgrade some officers could not access the South Ribble System which resulted in delays providing information on transaction/balance listings. Most of the information was provided by 12-14 July. Secondly, the External Auditor faced delays with the valuer. All enquiries had been sent by the Auditor's to the Council by week commencing 23 August and initial responses were received from the valuer on 30 September, however insufficient information was provided. Further responses were not received until 15 October which delayed audit progress.

Members referred to the IT system upgrade and asked for reassurance that the issues were resolved and would not cause any further delay. In response, the Director of Finance advised that measures had now been put in place and reassurance would be given to Members from the Director of Customer and Digital. The Director of Finance explained that there was now a stable IT system which had been operating for some time.

In response to a member enquiry, the Director of Finance explained that the valuer had been away from work for some time due to bereavement. Measures had now been put in place for this year and all valuation reports had been completed for South Ribble. Progress was several months ahead in comparison to where it normally was.

Resolved: (Unanimously)

The committee note the report and approve the additional fee of £35k to the 2020/21 Audit.

5 External Audit Plan 2021/22

The Council's External Auditors presented their report and gave an overview of the External Audit Plan 2021/22. Three significant risks had been identified; management override of controls, valuation of land and buildings and valuation of net pension fund liability.

The External Auditors advised that the Council may have to produce consolidating and group accounts for the period, however they were still waiting assessment as to whether it was required. The External Auditor's were also assessing the establishment of the new subsidiary of South Ribble Leisure to establish whether consolidated accounts would need to be produced to report the group transactions and balances. The External Auditors had requested management provide an assessment of the impacts of group financial reporting considering requirements of the CIPFA code.

Members sought clarification on management override of control and asked what would need to be done to fully satisfy the audit. In response, the External Auditor advised that it was a standard issue they would look to review as it was a required risk under the auditing standards. They would look at transactions which had been put through the system by Directors or Managers taking into consideration segregation of duties and authorisation of transactions.

In response to a member enquiry, the Chief Executive advised that assets were valued on a five yearly basis however, valuations would be undertaken sooner should the asset be involved in a transaction.

Resolved: (Unanimously)

That the report be noted.

6 Management responses to External Audit Planning Enquiries 2021/22

The committee considered a report of the Director of Finance and Section 151 Officer which presented the management responses providing to the planning enquiries made by the External Auditors, Grant Thornton, as part of the 2021/22 statutory accounts. Members were asked to review and approve the responses.

The Director of Finance explained that the responses related to the External Auditors Audit for 2021/22 wherein further information had been sought. Appendix A was the response given to the auditors and picked up key issues such as appropriateness of accounting policies and information regarding significant transactions. Appendix B focused on accounting estimates.

In response to a member enquiry, it was confirmed that the authority has two RICS qualified surveyors who were capable of doing building valuations.

The External Auditor confirmed that they would corroborate and challenge officers to ensure the responses given were robust and accurate.

Members asked if South Ribble Leisure would require a separate audit. In response, the External Auditor explained that an assessment was still to be made by management and provided to the auditor's. Once the assessment had been undertaken the External Auditors would consider it and decide whether it was appropriate and compliant with the CIPFA code. The Service Lead (Audit and Risk) provided further assurance and advised that Internal Audit had already undertaken one audit on South Ribble Leisure in 2022 and were planning to complete four additional audits in 2023. Internal Audit were working with the board of directors to look at the governance arrangements to ensure governance arrangements were robust.

The Chief Executive advised members that internal audit reports for South Ribble Leisure would be presented to Cabinet for consideration as they fulfil the function of shareholder.

Resolved: (Unanimously)

The committee approve the management responses to the auditors enquiries.

7 Internal Audit Annual Report and Opinion 2021-2022

The Service Lead (Audit and Risk) presented a report which summarised the work undertaken by the Internal Audit service during 2021/22. The report also gave an opinion as required by the Public Sector Internal Audit Standards (PSIAS) on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

The Service Lead (Audit and Risk) advised the overall adequacy and effectiveness of the Council's governance, risk management and control processes are adequate. Significant progress had been made over the past twelve to eighteen months and a lot of new policies introduced. There needed to be opportunity now for the new policies to embed.

Members noted that Internal Audit had undertaken 21 reviews during 2021-22, however there were two reviews unable to be undertaken for various factors. The Service Lead (Audit and Risk) advised the original internal audit plan contained two IT reviews, however given the ongoing work with the digital strategy it was not prudent to carry out the reviews at the time. These reviews would now be completed between October 2022 – March 2023.

The Service Lead (Audit and Risk) provided that Internal Audit had also re-achieved ISO9001.

Members thanked the Service Lead (Audit and Risk) for a comprehensive and objective report.

In response to a member enquiry, the Service Lead (Audit and Risk) explained that the External Auditor would have indirect sighting of GRACE as each audit report included the risks recorded on the system.

Members sought clarification on how assurance ratings could be improved by individual services, the Service Lead (Audit and Risk) explained that adequate ratings could be given for reasons such as re-introduction of controls, resourcing issues or new system implementations where the service could demonstrate they were strengthening the control environment. Alternatively, management actions are agreed following the audit for the service to implement and to improve.

Members noted the two IT reviews to be undertaken later in the year and asked if it would be better to bring forward their reviews. Members were advised that internal audit were to provide assurance that controls of systems were working effectively and it wouldn't be best use of resource to review a service with known issues. IT were being given time to fix issues and embed new controls and would be assessed at a later stage.

Resolved: (Unanimously)

That the report be noted.

8 Review of the effectiveness of Internal Audit 2022

The committee considered a report of the Service Lead (Audit and Risk) which provided the results of the self-assessment carried out by Internal Audit against the requirement of Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) as a means of assessing the effectiveness of Internal Audit.

The Service Lead (Audit and Risk) explained that there are 134 aspects of conformance, of which full conformance had been achieved for 128. There are five areas which are not applicable to the Internal Audit Service with only one partial conformance in relation to fraud which is featured in the Annual Governance Statement. Internal Audit also has to be externally verified with this next due in January 2023, the self-assessment would be considered to ensure it is accurate.

Members asked how many days it took to prepare the report and if it was included in the audit plan. In response, the Service Lead (Audit and Risk) explained it would normally take a day and half to go through, with the review more resource intensive the first time it is undertaken. After that, it was a case of maintaining the review and keeping it up to date. The review was included as non-chargeable time and was separate to the audit plan.

Resolved: (Unanimously)

That the report be noted.

9 Draft Annual Governance Statement

The Director of Governance and Monitoring Officer presented a report which presented the Annual Governance Statement (AGS) for 2021/22 and sought approval to be recommended to the Leader and Chief Executive for signing.

The Director of Governance explained the AGS had been prepared in accordance with CIPFA/SOLACE guidance and drawn from numerous evidence sources which were identified within the document. The AGS had now been condensed and simplified to make it easier to understand.

Members thanked the Director of Governance for the shorter AGS and asked for more information on the Local Government Ombudsman investigation which required an apology from the Council. In response, the Director of Governance advised he would provide the information to members outside of the meeting.

Members referred to the Peer Review and asked how political parties could work together better. The Director of Governance explained that officers could try resolve some of the issues to be perceived which would assist. However, the Centre for Governance and Public Scrutiny would be undertaking a piece of work which would review some of the arrangements in place in relation to meetings and how the council operates. This would identify issues or improvements. The Director of Governance would also work with groups and members around the code of conduct, which was currently under review, and would look to simplify the standards regime to provide clarity and flexibility. A number of actions were taking place.

Resolved: (Unanimously)

That the Annual Governance Statement be approved as a correct statement of the Council's governance environment and be recommended to the Leader and Chief Executive for signature.

Chair

Date