

Report of Governance Committee

I am pleased to present the general report of the Governance Committee summarizing the business which was considered on 24 May 2022.

Please note that the report may not reflect the wording used in the minutes, as they have yet to be formally agreed.

Audit Progress Report and Sector Update

1. The committee considered a report of the Council's External Auditor, Grant Thornton who advised that they had largely completed the final audit on the financial statements. They had also certified the housing benefit claim to the Department for Work and Pensions (DWP) on 25 March.
2. We noted that the External Auditor proposed an additional fee of £35k in relation to the 2021/22 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. Secondly, the External Auditor faced delays with the valuer. Enquiries had been sent to the Council by week commencing 23 August and initial responses were received on 30 September. However, insufficient information was provided. Further responses were not received until 15 October which delayed audit progress.
3. We asked for reassurance that IT issues were resolved and would not cause any further delay. The Director of Finance explained there was now a stable IT system which had been operating for some time, but reassurance would be given to members from the Director of Customer and Digital.

External Audit Plan 2021/22

4. 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.
5. The External Auditors were also assessing the establishment of the new subsidiary of South Ribble Leisure to assess whether consolidated accounts would need to be produced to report the group transactions and balances.
6. We asked for clarification on the identified risk's and asked what would need to be done to fully satisfy the auditors. In response, the External Auditors advised they were standard issues they would look to review as the risk are required under the auditing standards.

Management responses to External Audit Planning Enquiries 2021/22

7. 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.

8. The Director of Finance explained the responses related to the External Auditors Audit for 2021/22 wherein further information had been sought. We asked the External Auditors how the responses would be validated, and they advised they would corroborate and challenge officers to ensure the responses given were robust and accurate.
9. We asked if South Ribble Leisure would require a separate audit and noted that an assessment was still to be made by management and provided to the External Auditor's. The External Auditor's would consider this and decide whether it was appropriate and compliant with 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.

Internal Audit Annual Report and Opinion 2021-2022

10. We considered a report from 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.
11. We noted 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.
12. 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.
13. 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.

Review of effectiveness of Internal Audit 2022

14. 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.
15. 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.
16. 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.

Draft Annual Governance Statement

17. 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.
18. 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.
19. 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.
20. 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.

I would like to recommend that Council note the report.

COUNCILLOR COLIN SHARPLES
VICE-CHAIR OF THE GOVERNANCE COMMITTEE
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