



AUDIT AND STANDARDS COMMITTEE

THE MEETING WAS A REMOTE MEETING HELD IN ACCORDANCE WITH THE REGULATIONS UNDER SECTION 78 OF THE CORONAVIRUS ACT 2020.

Wednesday, 24th March, 2021 at 6.30 pm

PRESENT

MEMBERS

S Hussain, (Vice-Chair) In the Chair

Councillors S Graham, B Brindle, T Commis, M Lishman, L Mehanna and A Tatchell

OFFICERS

Howard Hamilton-Smith	– Head of Finance and Property
Catherine Waudby	– Head of Legal and Democratic Services
Amy Johnson	– Finance Manager
Ian Evenett	– Internal Audit Manager
Salma Hussain	– Auditor
Chris Gay	– Governance Manager
Christine Wood	– Democracy Officer
Paul Barlow	– Stream

CO-OPTED MEMBERS

Louise Gaskell

EXTERNAL AUDITORS

Barrie Morris, Grant
Thornton
Helen Stevenson, Grant
Thornton

85. Apologies

Apologies were received from Councillor Paul Campbell and Stuart Arnfield. Councillor Shah Hussain took the Chair.

86. Minutes

The minutes of the previous remote meeting held on Wednesday, 13th January 2021 were agreed as a correct record.

87. Additional Items of Business

There were no additional items of business.

88. Declarations of Interest

There were no declarations of interest.

89. Exclusion of the Public

There were no agenda items requiring members of the public to be excluded from the meeting.

90. Public Question Time

The Committee was advised that no public questions had been received.

91. External Auditor's findings report.

The Committee was advised that this item had been removed from the agenda as details were included within agenda item 9.

92. Annual Governance Statement 2019/20

Salma Hussain, Auditor presented the Annual Governance Statement to the Committee requesting approval.

Salma advised that the Accounts and Audit and Regulations 2015 stated that the Annual Governance Statement must be approved by a Committee and that this responsibility was undertaken by the Audit and Standards Committee under their terms of reference, as those charged with governance.

The Committee was advised that production of an Annual Governance Statement was a statutory requirement of the Council, and that it was produced in accordance with proper practice, using guidance from CIPFA, (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives).

The Committee was further advised that all Heads of Service and key officers had provided signed Assurance Statement to the Chief Operating Officer and the Chief Executive in accordance with the organisational management structure and that these had been supported by a control and risk self-assessment questionnaire. The Chief Operating Officer had considered his statement and also signed an Assurance Statement to the Chief Executive.

It was reported that All Executive Members and the Chair of the Scrutiny Committee had completed a self-assessment questionnaire and provided a signed Assurance Statement to the Leader of the Council.

It was further reported that the strategic partner, Liberata had also submitted a Certificate of Assurance covering services they provide on behalf of Burnley Borough Council and that no issues were reported.

The Committee was advised that this process allowed the identification of the key elements of governance and internal control for incorporation into the Annual Governance Statement and was designed to assist the identification of significant control and governance issues. Minor weaknesses in governance had been identified and action to address these issues had been put in place.

The Committee was further advised that Management Ream had reviewed the Annual Governance Statement and that the statement had then been signed by bot the Leader of the Council and the Chief Executive as the final assurance to the public.

The Committee was reminded that the Annual Governance Statement had been reported to a meeting of the Committee and approved in July 2020 and that the signatures had been updated again and presented alongside the externally audited Statement of Accounts 2019/20.

IT WAS AGREED

That the Audit and Standards Committee approve the Annual Governance Statement 2019/20 as attached to the report at Appendix A.

93. Audit Findings report 2019/20 and Statement of Accounts
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The Head of Finance and Property submitted a report to:

1. Present the Council's audited Statement of Accounts for 2019/20, to obtain formal approval of the Committee to the audited accounts, and to recommend and request that they be signed by the Chair of the Committee; and
2. To request the Audit and Standards Committee to approve the Letter of Representation from the Head of Finance and Property to Grant Thornton (external auditors) and to recommend and request that it be signed by the Chair of the Committee; and
3. To inform the Audit and Standards Committee of the audit findings.

Grounds for the above recommendations and requests were outlined within the report.

The Committee was reminded that it had been a challenging year, due to various factors such as remote working, staff vacancies and redeployment of staff for covid related work. As a result of these pressures, deadlines had not been met for publication of accounts.

It was reported that the external audit has been concluded by Grant Thornton who were satisfied that the accounts presented a true and fair view of the Council's financial position. The accounts were attached to the report at appendix 1 for information.

It was further reported that there had been five recommendations for the Council which were detailed in the report along with the proposed actions to mitigate the recommendations.

The Head of Finance and Property advised that as the Accountable Chief Finance Officer, he was required to make representation about a range of issues upon which confidence is placed during the audit to obtain favourable opinion from Grant Thornton. A copy of the Letter of representation to Grant Thornton that the Committee was being requested to approve, for the Financial Statements for the year ended 31st March 2020, was attached to the report at appendix 2 for information.

Barrie Morris gave a brief introduction to the Audit Findings report, advising that the audit was near completion and conclusion and opinion were anticipated within the following couple of days. Barrie also referred to the impact of covid and the significant impact on delivery of the audit which had resulted in the original deadline date of 30th November 2020 not being possible to be met. There had also been a further agreed target date of 24th March 2021.

Barrie advised that the pandemic had exposed significant capacity challenges within the Council. He also advised that the Finance team had worked extremely hard and diligently to respond to audit queries effectively and in a timely manner. He recognised that the team had also faced many additional challenges.

Barrie further referred to the 5-month delay from the original deadline stating that it was a serious issue and advised that consideration had been given to making adjustments to the VFM conclusion, to reflect that there may be capacity constraints within the Finance team. He also advised that this option had been considered by the partner panel within the firm. The partner panel had agreed against this course of action as it had been recognised that the Finance team had worked diligently, proactively and because the challenges faced had been outside the control of the Finance team. The panel had concluded that such an option would not be an appropriate, to give a fair reflection of the efforts of the team.

The Committee was advised that the work on the financial statements would lead to an unqualified conclusion and that several amendments to financial statements had been identified (as covered by Helen). The VFM commentary and conclusion would also be unqualified. There had not been a requirement to exercise statutory duties on the financial statements.

Barrie advised that there were increased expectations by regulators who expected significantly more work on areas of evaluation of property plant equipment and pension revaluations. This work would continue over the year including work on management override controls, journals and management estimates.

Helen Stevenson advised of the overview of the scope of the Audit and of the significant audit risks, findings and other issues. Helen also advised of details of the action plan including recommendations.

Barrie advised the Committee of the increased final proposed Audit fees as detailed on page 209 of the report. Barrie reported that the increase proposed fee reflected the additional costs that had been incurred due to Covid-19 and remote working and additional costs incurred due to the delay of the account preparation. The final proposed fee was £62,720.

The following points and responses were made:

Louise Gaskell – Referred to the Significant findings and in particular to Provisions for Non-Domestic Rate Appeals “The provision has increased slightly by £6,436k in 2018/19”. Louise queried the amount of £6,436k as this was not a slight increase.

*The Head of Finance and Property agreed that this figure appeared to be high and agreed that he would investigate this and confirm the accurate figure. **(Update, the figure should have read £6.436k)***

Louise Gaskell – Significant delay in accounts to Auditors. Has this been seen in other Local Authorities or is this specific to Burnley Council?

Barrie Morris – This was seen in a relatively high number of Councils. Burnley was not the worst but did miss the deadlines. Nationally across all Local Authorities just under 48% were signed off by November 2020 deadline. The situation had improved in December, but a number remained outstanding to be signed off. This has had a significant effect on commencing work for the 2020/21 audit.

Louise Gaskell – The recommendations within the report that the Auditors have put forward to the Council, have they been accepted?

The Head of Finance and Property – Management comments have been put against each of the recommendations. We have accepted the majority. They will be either be amended in 2019 accounts or incorporated into 2020/21 accounts.

Councillor Lishman – Referred to potential capacity gaps in Finance Team and of additional work in meeting governments request to provide grants to various businesses and self-employed persons. Did you go to Grant Thornton Panel for every other Local Authority case? Was Burnley an exception?

Barrie Morris - Not for all Councils. Only those with significant delays in production of accounts. There were a small number of Councils in which we took the view to go to Panel. We fully accept your observations that the Finance Team were dealing with lots of other initiatives. Statutory reporting is an important function. If capacity is too constrained, this can have potential significant ramifications.

Councillor Lishman – Note comments about knock on effect because work on this year’s accounts will be delayed. When will you be presenting a timetable about how this will be met and the impact on the Council if there is a delay?

Barrie Morris - In terms of 2020/21 accounts, there will be a delay. Planning and interim work would have been well underway now. We will be agreeing a timescale. Getting back to the right place will take a couple of years. At the next meeting there will be a timeline set out and agreed with officers regarding the delivery of the 2020/21 Audit. In my view we will not be able to meet the 30th September 2021 revised deadline. Should the Council be able

to demonstrate sufficient capacity and we can match that capacity, we will review that to see if we can get back on track.

The Head of Finance and Property referred to item 12 on the agenda Council arrangements for 2020/21 which was reporting on deadlines for the next two years.

IT WAS AGREED

1. That the Audit and Standards Committee approve and sign the Statement of Accounts; and
2. That the Audit and Standards Committee sign the Letter of Representation; and
3. That the Audit and Standards Committee note the audit findings.

As this was a remote meeting, arrangements had been made for the Statement of Accounts and Letter of representation to be signed outside of the meeting.

94. Internal Audit Progress Q3 2020-21

Salma Hussain presented a report to the Committee to advise of the work undertaken by Internal Audit for the period 1st October to 31st December 2019.

It was reported that from 1st October to 31st December 2020, three audit reports had been produced. Details of two of Burnley Council audits were attached to the report at Appendix 1.

A comparison of actual and planned audits was also attached to the report at Appendix 2. The Committee was advised that a number of audits had started, and to date had been completed, but due to timing would form part of later quarter statistics to be reported.

Performance indicators for Internal Audit were reported in the Finance balance scorecard. The service currently reported the number of audit reports produced as 12 against an annual target of 22 and the percentage of high-priority actions from audit actions plans implemented which was 100% and had a target of 100%.

Also outlined in the report were details of other activity that had been carried out by the Audit team in continuing to support the Council's business continuity response to the Coronavirus pandemic.

It was reported that Internal Audit had carried out follow up reviews on previously completed audits to review completed actions and had provided advice and assistance to various services.

It was further reported that all the data for the National Fraud Initiative for national exercise had been submitted and matched had been received. These had been passed to different services for processing and that Audit had been processing payroll and creditor matches. Review had been undertaken of the write offs for Quarter 2 and a report issued. The Audit team had also been involved with the Talent Management scheme.

Interviews for the position of Auditor had recently taken place and the recruitment process procedures were currently being carried out.

The Committee was advised that Head of Service were being consulted on the Audit Plan for 2021/22.

IT WAS AGREED

That the Internal Audit Progress Report be noted.

95. Strategic Risk Register 2020-21

The Internal Audit Manager presented a report to review and update the Strategic Risk Register and to request that the Committee recommend the Strategic Risk Register to the Executive.

A copy of the revised Strategic Risk Register was attached to the report with changes highlighted within.

The Committee was advised that substantial changes had been made to the register due to the strategic objectives of the Council being updated and in addition the risk score had been increased in relation to the risk score in the 'Failure to respond to widespread illness', previously score 6 amended to score 9. As the Council had entered the recovery phase, the involvement of the Council had increased across a range of areas.

The report advised that one of the consequences of the Financial Instability risk was that central government would intervene and take over control of the Authority as had been seen recently in authorities with financial problems. This had been added to the risk.

The Committee was advised that the risk of malicious attack from a national terrorist that had been reduced from severe to substantial in February 2021.

Councillor Shah noted the significant high risks in various areas due to the Coronavirus pandemic.

It was recommended the Strategic Risk Register be recommended to the Executive to ensure that risks are appropriately monitored and recorded and that the register be updated for the revised Strategic Objectives.

IT WAS AGREED

1. That the Strategic Risk Register is reviewed and updated as attached; and;
2. That the Committee recommend the Strategic Risk Register to the Executive.

96. Annual Accounts Arrangements 2020-21 and Final Accounts Arrangements 2021-22

1. The Finance Manager presented a report to update the Committee on the arrangements made to date and the implications of the changes required for the Council ahead of the closure of the 2020/21 accounts; and

2. To seek approval for the accounting policies to be used in producing the Statement of Accounts as set out in Appendix 1 as attached to the report; and
3. To inform the Committee that a date would be confirmed nearer the time for a final accounts workshop for Audit and Standards Committee members to allow officers to present the 2020/21 Statement of Accounts and explain the findings and issues; and
4. To inform the Committee that following a recent consultation exercise MHCLG had confirmed that the deadline for completion of the draft Statement of Accounts would be extended from 31st May 2021 to 31st July 2021 and that the deadline for publication of the audit Statement of Accounts would be extended from 31st July 2021 to 30th September 2021. This would apply for both 2020/21 and 2021/22 financial years.

The Committee was recommended to;

1. Note the report and arrangements that the Council was making in advance of the closure of the accounts for the year 2020/21; and
2. Approve the proposed accounting policies to be followed in producing the Statement of Accounts as attached to the report at Appendix 1.

Grounds for the above recommendations were outlined within the report.

The Committee recognised and thanked the Finance Department for the report and for their hard work during this very difficult period.

IT WAS AGREED

1. That the Committee note the report and the arrangements that the Council is making in advance of the closure of the accounts for the year 2020/21; and
2. That the Committee approve the proposed accounting policies to be followed in producing the Statement of Accounts as attached to the report at Appendix 1.

97. Regulation of Investigatory Powers Act (RIPA) - Corporate Policy

The Head of Legal and Democracy presented a report for the Committee to consider the revised Corporate Policy for Covert Surveillance and Covert Human Intelligence Sources under the Regulation of Investigatory Powers Act 2000. (RIPA) a copy of which was attached to the report.

The Committee was reminded that RIPA regulates the Council's use of covert surveillance to prevent and detect criminal activity.

The Committee was advised that the Council's Policy for the use of Covert Surveillance and Covert Intelligence Sources had been provided to the Investigatory Powers Commissioner's Office (IPCO) during the latest assessment which had taken place in March 2020.

The Committee was further advised that the report of IPCO had made recommendations to further strengthen compliance with legislation. The recommendations had included revising the Policy to include examples of the types of matters the Council may come across and strengthening the policy in relation to use of social media. Regular staff training on RIPA had also been recommended.

It was reported that the review of the Policy had been completed and it had been updated to reflect changes in the organisation and generally. The section on the use of social media had been expanded to explain situations where RIPA may be engaged. The Policy had also introduced the concept of a non-RIPA authorisation. It was clarified that this was to be used in cases where RIPA is not engaged as the activity carried out by the Council is not strictly covert because the premises have been previously warned of a visit for a test purchase or where covert surveillance is undertaken but it is not in pursuance of the investigation of crime.

It was further reported that training on the revised Policy was proposed to ensure that offices in the Council understood the obligation under RIPA and the wider circumstances where a non-RIPA type authorisation should be sought.

The Head of Legal and Democracy advised that the recommendation to the Committee had been amended since publication of the agenda and was now recommending that the Committee recommend approval of the revised Policy to the Executive.

IT WAS AGREED

That the Audit and Standards Committee recommend approval of the revised Corporate Policy for Covert Surveillance and Covert Human Intelligence Sources under the Regulation of Investigatory Powers Act 2000 to the Executive.

98. Work Program 2020-21

The work programme was noted.