



AUDIT AND STANDARDS COMMITTEE

BURNLEY TOWN HALL

Wednesday, 6th July, 2022 at 6.30 pm

PRESENT

MEMBERS

Councillor Howard Baker, In the Chair.

Councillors C Briggs, P Chamberlain, K Ingham, Lewis and M Townsend

OFFICERS

Lukman Patel	– Chief Operating Officer
Ian Evenett	– Internal Audit Manager
Amy Johnson	– Finance Manager
Carol Eddleston	– Democracy Officer

CO-OPTED MEMBERS

David Swift
Stuart Arnfield

EXTERNAL AUDITORS

Helen Stevenson – Grant Thornton-External Auditor

1. Apologies

Apologies for absence were submitted on behalf of Councillors Lord Wajid Khan of Burnley and Andy Wight, and Parish Councillor Kathryn Haworth.

2. Minutes

The minutes of the last meeting, held on 17th March 2022, were approved as a correct record.

3. Declarations of Interest

There were no declarations of interest in any of the items on the agenda.

4. Approval of the Audited 2020/21 Statement of Accounts

Amy Johnson introduced this item and then invited Helen Stevenson from the Council's External Auditors Grant Thornton to present the audited Statement of Accounts for 2020/21.

Helen Stevenson reminded the meeting that the Audit Findings Report had been presented at the last meeting and she was pleased to confirm that outstanding queries on land and property revaluations and isolated accounting treatment queries had now been closed off and all management responses had been received.

Members of the committee raised the following questions and observations:

- Was the Council facing any penalties as a result of the delay to the publication of the audited Statement of Accounts? – There were no repercussions from this delay and many other local authorities were in the same position. COVID and remote working had inevitably impacted on timeframes and the deadline for the 2021/22 process had been moved to the end of November 2022.
- Was it fair to say that there had been even more checks and balances over the last few years as a result of events in other local authorities especially in relation to Value for Money (VfM)? – This was indeed the case. A revised code had been issued and Grant Thornton would be bringing a further report on VfM later in the year.
- Of the five recommendations referred to on page 10, some were new but others were perhaps systemic and longer standing. Did this have any implications? - The desktop and valuation exercise had been an ongoing process but arrangements for 2021/22 would be revised and more detailed records kept in-year. Some of the issues highlighted had been ongoing for several years but had just come to light in the course of the 2020/21 audit.
- What knock-on effect, if any, did the delay to the finalisation of the 2020/21 process have on the 2021/22 process? – The draft Statement of Accounts 2021/22 had been published on 5th July and the audit had started. It was hoped that the process would be completed by the end of November, and the VfM work completed by January 2023. Grant Thornton was phasing local authority audits and Burnley Borough Council was one of the earlier starts.
- Had the recommendations in relation to the journal posting environment been accepted? – Access levels for the S151 officer had now been changed. Levels of full access had been reviewed given that more people were back working in the office. Now only the Deputy S151 Officer and one system officer had day to day access.
- Was this action satisfactory from the perspective of the External Auditors? – It was satisfactory and External Audit would follow up all of these issues and on implementation of the recommendations.
- Page 171 seemed to indicate that the council had not implemented a prior year recommendation on rolling asset valuations. – The council did rely on the five yearly rolling programme but also conducted a desk top exercise every two years to identify if an annual exercise was needed. Helen Stevenson said that the update as presented did not perhaps fully reflect circumstances and could be expanded.

- Did the two yearly desk top exercise represent a change to what used to happen? – No it did not.
- Why was there such a significant increase in Short-term Creditors (Note 15)? – This was to be followed up after the meeting.

[Administrator’s note: the following detailed response has since been circulated to members of the committee: the reason for the increase was due to the Council having a year end creditor balance of £4.7m owing to Central Government in respect of business grant monies received. The Council’s allocation of grant monies to be passed on to local businesses exceeded the value of payments made in year and therefore fell as a creditor at year end. Repayment to Central Government was made in 2021/22].

- Were the External Auditors satisfied and happy for the audited Statement of Accounts and the Letter of Representation to be approved and signed? – They were indeed happy for them to be approved and signed.
- Lukman Patel took the opportunity to remind members that the opportunity to request changes to the report, including reference to management responses provided, was when the draft Statement of Accounts were presented to committee.

IT WAS AGREED THAT

- The audited Statement of Accounts be approved and signed;
- The Letter of Representation be approved and signed;
- The audit findings be noted, and
- The Annual Governance Statement signed as at July 2022 be approved.

5. Internal Audit Opinion 2021/22

Ian Evenett presented a report on the Chief Audit Executive (CAE) opinion on the Internal Controls of the Council for the financial year 2021-22. The opinion was based on the work undertaken by Internal Audit both during 2021-22 and that related to that year. It provided reasonable but not complete assurance concerning the Council’s internal control system and took account of actions that had been agreed with managers to address weaknesses identified, and the impact of the pandemic on the Internal Audit Service.

Recruitment of suitably qualified and experienced Internal Auditors remained a challenge but a new member of staff had been recruited very recently and a temporary part-time member of staff had been recruited to cover a period of leave. A revised Internal Audit Plan 2022-23 would be presented at a future meeting to reflect the slight decrease in capacity in the service.

The service was due to undergo an external review in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS) and the Chair or Vice-chair would be interviewed as part of the process.

Ian Evenett invited questions and observations from members of the committee:

- Why were [target] dates not included in the 'Key Actions Agreed' such as, for example, for the recovery of payments made against fraudulent applications in Appendix 1 – Summary of Audit Reports Issued? – Recovery was difficult and, although the Council could seek to prosecute, the level of evidence and effort required could be excessive. Sometimes it was not possible to recover due to the nature of the fraud as some were very sophisticated and linked to organised crime.
- The Assurance Score against the Covid Business Grant Fraud audits was shown as N/A but, nationally, the value of such fraud was estimated in the billions of pounds. Were systemic issues reviewed as part of the audits? – This Council had been required to distribute £6million in grant funding and responsibility lay with central government departments. However, the Council had a number of options including passing on the details to the police or to the Department for Business, Energy and Industrial Strategy which initiated national investigations of organised crime. The Business Grant Fraud audits had started early on and had given Mr Evenett a good deal of confidence in the process. If any systemic issues were identified in the course of an audit, changes could be made to the system.
- What would it take to provide a 'complete' assurance regarding the Council's internal control system? – Mr Evenett assured members that it was a 'clean report' as far as Internal Audit was concerned. Internal Auditors were not identifying failures of control within the testing and would issue lower levels of control if they found anything significant. They outlined what key actions they had agreed in particular audits and would follow up any failures to implement said actions with Heads of Service to ensure that they were implemented. Non implementation of management actions would only be deemed to be acceptable if there had been system changes in the meantime that rendered them unnecessary.
- According to Appendix 2 several of the audits had not been finished at the time the report was prepared (including Payroll and Payment of Creditors). Had they been finished now? – The Payment of Creditors audit had now started but there had been some reasonable requests to delay some audits and these would be included in the Audit Plan for 2022-23.
- Would the committee have an opportunity to see the terms of reference of the external review of the Internal Audit service before it commenced? – There was a Memorandum of Understanding (MoU) which set out the broad basis and methodology upon which the constituent authorities agreed to participate in the scheme and how the activity would be carried out.
- It would be helpful for members to see this as they may want the review to look at certain things that they felt would be of benefit to the committee.
- If officers were happy with the MoU, and unless there was anything in it that members totally disagreed with, members would likely be supportive of it.
- Lukman Patel suggested that the MoU be circulated to members and that any changes to the terms of reference of the peer review should be delegated to the Chair and Vice-chair to consider in consultation with co-opted Independent Member David Swift. It was not considered likely that the committee would need to hold a special meeting on the matter.

IT WAS AGREED

- 1) That the Chief Audit Executive opinion on the Internal Controls of the Council for the financial year 2021-22 be noted, and
- 2) The MoU for the Lancashire Chief Auditors Group Peer Review be circulated to the committee, and
- 3) Any requests for amendments to the terms of reference for the peer review be delegated to the Chair and Vice-chair to consider in consultation with co-opted Independent Member David Swift.

6. CIPFA Audit Committee Position Statement 2022

Ian Evenett presented a report on the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Commission Statement. The revised statement addressed the significant role that an audit committee played in governance and any issues arising from the review of local audit undertaken by central Government. Whilst following the statement was not a legal requirement, the statement may be considered as proper practice and was supported by the Department for Levelling Up, Housing and Communities and the Home Office.

The statement suggested that an audit committee should report annually, in a public report, how it had complied with the position statement, discharged its responsibilities, and include an assessment of its performance.

Discussion focused on member training and the ability for the committee to meet privately and separately with the external auditor and with the head of internal audit.

Mr Swift said that he did not recall there having been any committee training since he had been co-opted but he had been provided with a copy of the Audit Committee Handbook which was very useful.

Members and officers had mixed views about the committee being able to meet privately and separately with the external audit and the head of internal audit. The following points were raised:

- Private meetings, without other officers there, could be beneficial and could provide an opportunity to ask, for example, if it was felt that sufficient resource was available.
- Much of what was published for the committee was in the public domain anyway and members should feel able to ask whatever they wanted of the external auditor and head of internal audit in a public setting, with the exception of things relating to specific individuals.
- Lukman Patel said that members were entitled to raise matters of concern with the Chief Executive / s151 Officer / Internal Audit Manager but private meetings of local authority committees could not be set up without a statutory reason to his knowledge. However, officers would consider this further.
- The Internal Audit Manager had made it clear to his staff that they could access the Head of Service, the Monitoring Officer and the Chair of the committee if they had concerns about resources.
- The Internal Audit Manager said he could understand the need to have provision for private contact if need be and there were internal processes in place to facilitate other than via private meetings.

- The Internal Audit Manager explained that local government audit committees varied widely in terms of size and scope. This committee could say that it could not meet the recommended practice in relation to private meetings due to its current arrangements.
- There were safeguards in place and the Whistleblowing Policy could be invoked if need be. This might ultimately lead to something coming back to the committee.
- Mechanisms were in place but this was about providing opportunities to meet in private if need be.
- The Vice-chair expressed his hope that anybody with concerns would feel able to approach him.

Ian Evenett confirmed that more detailed guidance would be coming forward in future. The committee would be asked to review its performance against the CIPFA position statement at the end of the current financial year. An effective audit committee contributed greatly to the effectiveness of the authority's internal control.

IT WAS AGREED

- 1) That the update on the revised CIPFA Audit Committee Position Statement be noted with the comments as outlined above, and
- 2) That the committee, on an annual basis, review and report on its compliance against the position statement including an assessment of its performance.

7. Standards Complaints Updates
--

Lukman Patel provided an update on complaints made about the conduct of Members during the 2021/22 municipal year. During the year he, as Monitoring Officer, had received eight such complaints, of which three were withdrawn before the complaint initial assessment was undertaken. One complaint received regarded inaccurate information disclosed on the register of interests of an elected Member. It had transpired that the register of interests had been updated but an old copy was also available on the Council's website. Mediation had been considered the appropriate response in relation to two complaints following a complaint initial assessment undertaken by the Monitoring Officer in consultation with the Council's Independent Person. Two complaints made by Members relating to the conduct of each other were currently being considered in accordance with the complaints procedure.

Lukman Patel confirmed that any complaints received since the start of the new municipal year were not included in this report.

Lukman Patel explained that there was nothing to prevent him, as Monitoring Officer, from looking into something that he was concerned about even if a formal complaint had not been made.

IT WAS AGREED

That the report be noted.

8. Work Programme

Members noted the first iteration of the committee's 2022-23 Work Programme which would be kept updated throughout the year.

IT WAS AGREED THAT
The report be noted.