

**AUDIT COMMITTEE  
18th August, 2020**

Present:- Councillor Wyatt (in the Chair); The Mayor (Councillor Jenny Andrews) and Councillors Vjestica, Walsh and The Mayor (Councillor Jenny Andrews).

An apology for absence was received from Councillor Cowles.

**86. NEW MEMBER**

The Chair welcomed The Mayor, Councillor Jenny Andrews, to her first meeting of the Audit Committee.

**87. DECLARATIONS OF INTEREST**

There were no Declarations of Interest made at the meeting.

**88. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS**

There were no members of the press or public present at the meeting.

**89. MINUTES OF THE PREVIOUS MEETING HELD ON 26TH MAY, 2020**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 26<sup>th</sup> May, 2020.

It was noted that the vacancy of Independent Person position on the Committee was out to advert until 31<sup>st</sup> August, 2020.

Resolved:- That the minutes of the previous meeting of the Audit Committee be approved as a correct record of proceedings.

**90. PUBLICATION OF UNAUDITED STATEMENT OF ACCOUNTS 2019/20**

Further to Minute No. 75 of 26<sup>th</sup> May, 2020, Rob Mahon, Head of Corporate Finance, presented the draft unaudited Statement of Accounts 2019/20 which had been published on the Council's website on 31<sup>st</sup> July, 2020, in accordance with the revised timelines as a result of Covid-19.

The publication of the unaudited accounts triggered a period of 30 working days (ending on 14<sup>th</sup> September, 2020) for local electors to exercise their rights to inspect the accounts and supporting records and to ask question of the external auditor.

The external audit of the unaudited accounts had commenced on 31<sup>st</sup> July, 2020, with Grant Thornton reporting their findings to the November meeting of the Committee.

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The deadline for publishing the audited accounts was 30<sup>th</sup> November, 2020.

The Narrative Report was attached at Appendix A to the report submitted together with the Highlights Report (Appendix B) which summarised the key financial disclosures reported in the 2019/20 draft Statement of Accounts and provided further detail on each of the key financial issues referred to above.

Resolved:- That the draft unaudited Statement of Accounts 2019/20 be received.

### **91. AUDIT PROGRESS REPORT - YEAR ENDING 31ST MARCH 2020**

Thilina De Zoysa, Engagement Manager, Grant Thornton UK LLP, gave the following verbal report:-

- Grant Thornton had received the draft accounts from the Council on 31<sup>st</sup> July, 2020
- The external audit work had commenced on 3<sup>rd</sup> August, 2020, as planned
- The aim was to give their opinion in the Audit Findings (ISA260) report and opinion on the Statement of Accounts in November, 2020
- In addition to the audit risks communicated previously, the planning and risk assessment had been updated in light of the Covid-19 pandemic and reconsider their audit and value for money approach to reflect the unprecedented global response
- The DwP had moved the Housing Benefit Return reporting deadline from 30<sup>th</sup> November, 2020 to 31<sup>st</sup> January, 2021; the Ministry of Housing, Communities and Local Government had yet to confirm the guidance and timings for the certification of the 2019-20 Pooling of Housing Capital Receipts Return

It was noted that the NAO consultation on a new Code of Audit Practice had finished and the new Code had completed its approval process in Parliament. It, therefore, came into force on 1<sup>st</sup> April, 2020 for audit years 2020/21 and onwards the most significant change being the introduction of an Auditor's Annual report containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation was now underway until 2<sup>nd</sup> September, 2020.

Discussion ensued on the delay in the implementation of IFRS16 (Leases) – 2021-2022. Authorities had been at different stages of preparation of IFRS16 which had been further impacted by the diversion of efforts due to the recent pandemic.

Resolved:- That the update be noted.

**92. ANNUAL TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS 2019-20**

In accordance with Minute No. 32 of the Cabinet Meeting on 20<sup>th</sup> July, 2020, consideration was given to a report presented by Rob Mahon, Head of Corporate Finance, which detailed how the Council approved the Treasury Management Strategy in February, 2019, and received a mid-year report in December, 2019, representing a mid-year review of treasury activity during 2019/20.

The Annual Treasury Management report was the final treasury report for 2019/20. Its purpose was to review the treasury activity for 2019/20 against the Strategy agreed at the start of the year.

The report also covered the actual Prudential Indicators for 2019/20 in accordance with the requirements of the Prudential Code.

Presentation of the report met the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

The Council was required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Appendix A of the report submitted gave a summary of the Prudential Indicators and Appendix B a summary of the Prudential Indicators for the former South Yorkshire County Council.

Resolved:- That the Financial Outturn 2019/20 - Treasury Management and Prudential Indicators - be noted.

**93. UPDATE REPORT ON THE USE OF SURVEILLANCE AND ACQUISITION OF COMMUNITY DATA POWERS**

Bal Nahal, Head of Legal Services, presented an update on the use of covert surveillance and covert human intelligence sources (CHIS) carried out by Council officers under the Regulation of Investigatory Powers Act 2000 (RIPA).

As previously with the Office of Surveillance Commissioners (OSC), the Council was required to notify IPCO of the number of directed surveillance/CHIS authorisations granted in each financial year. Since the last report, the Council had not used its powers under RIPA to use directed surveillance, covert human intelligence sources or to acquire communications data. A statistical return was completed and submitted to the Investigatory Powers Commissioners Office on 1st April, 2020.

On 2<sup>nd</sup> July, 2020, a desktop inspection by the Investigatory Powers Commissioners Office took place. This type of inspection took place where a local authority did not regularly use the powers available. The

outcome of the inspection was positive (outcome letter attached to the report). It raised one area to be addressed of wider awareness for staff who did not necessarily encounter potential RIPA issues on a regular basis. It was an area that the RIPA Co-ordinator had agreed to focus on as online activity and the use of social networking sites had increased this risk in several organisations. Efforts would be focussed in this area with an explanation of the RIPA legislation being cascaded to all Directorates to reduce any potential risk from an unauthorised activity.

The Council's corporate policies made provision for the Audit Committee to oversee the operation of these policies by receiving reports on a 6 monthly basis to ensure that RIPA powers were being used in a manner consistent with the Policy. This was the latest update report, however, as the Council had not used the powers for the last 2 years, it was appropriate to reduce reporting to an annual basis.

The Council's Policies were considered by the Committee on 29<sup>th</sup> January, 2019, and re-adopted with minor amendments. The RIPA Policy had been reviewed and found that there were no major changes required. Minor amendments to contact details due to a change in personal and typographical changes had been made.

Resolved:- (1) That it be noted that the Council had not made use of surveillance or acquisition of communication data powers under RIPA since the previous report on 26<sup>th</sup> September, 2019.

(2) That the outcome of the desktop inspection conducted by the Investigatory Powers Commissioners Office on 2<sup>nd</sup> July, 2020, be noted.

(3) That the minor changes in the RIPA Policy 2020 be approved.

#### **94. ANNUAL GOVERNANCE STATEMENT 2019/20**

Consideration was given to the updated 2019-20 draft Annual Governance Statement (AGS) as presented by David Webster, Head of Internal Audit, which had been published alongside the Council's Statement of Accounts on 31<sup>st</sup> July, 2020.

Covid-19 had had a significant impact at the end of 2019/20 and into 2020/21 and was reflected within the AGS including actions taken in response to the pandemic and lockdown.

Discussion ensued with the following issues raised:-

- Due to the pandemic it had necessitated cancellation of some Council meetings, however, virtual meetings had been set up quickly to ensure continuation of the democratic process
- Internal Audit staff had been redeployed to support elements of the Council's financial response.

- Since March, risk management activity had focussed on the Covid-19 response with each workstream contributing to a Corporate Threat and Risk assessment which was updated at least weekly. This had meant that the normal Corporate risk management processes had been suspended, however, the risks on the Strategic Risk Register had continued to be managed by Directorates during the pandemic. It was intended that the process would gradually revert to normal as the Covid-19 response stepped down and moved into recovery phase
- The External Auditor, as part of their audit response, would review the Audit Governance Statement to check consistency and would report on it, together with the Narrative Report, in their audit opinion

Recommended practice required the Leader of the Council and the Chief Executive to sign the final Annual Governance Statement prior to its publication.

Resolved:- (1) That the 2019-20 draft Annual Governance Statement be noted.

(2) That the requirement for the Leader and Chief Executive to sign the Statement prior to the publication of the Annual Governance Statement be noted.

## **95. EXTERNAL INSPECTIONS, REVIEWS AND AUDITS UPDATE**

Consideration was given to a report, presented by Simon Dennis, Corporate Improvement and Risk Manager, providing details of recent and current external audits and inspections including the details of arrangements that were in place regarding the accountability and governance for implementing recommendations arising therefrom.

Since the last report to Committee in November, 2019, 7 external inspections, reviews and audits had taken place and 3 recommendations made which had all been implemented. In addition 7 of the ongoing recommendations in relation to external inspections, reviews and audits that took place prior to November, 2019, had now been implemented, 15 remained outstanding/ongoing and one did not require implementation.

The report included detail of progress being made in respect of the following specific areas and Directorates:-

- Children and Young People's Services
- Adult Care and Housing
- Regeneration and Environment Services
- Finance and Customer Services
- Assistant Chief Executive

Resolved:- (1) That the report be received and its contents noted.

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(2) That the governance arrangements that were currently in place for monitoring and managing the recommendations from external audits and inspections, as now reported, be noted.

(3) That the Audit Committee continue to receive regular reports in relation to external audit and inspections and the progress made in implementing recommendations.

(4) That the outcome of the Repairs and Maintenance Cost Collection Workbook Audit be referred to the Improving Places Select Commission for information.

(5) That an update be provided to the next meeting of the Committee on the outstanding recommendations relating to Children and Young People's Services.

### **96. INTERNAL AUDIT ANNUAL PLAN 2020-21**

Consideration was given to a report, presented by David Webster, Head of Internal Audit, regarding the Internal Audit Annual Plan for 2020/2021.

The report explained the Internal Audit approach to the development of the Plan, as well as detailing the specific activities planned to be reviewed during the year. It was noted that the Plan reflected a comprehensive risk assessment process, which also included discussions with the Council's Strategic Directors and Assistant Directors to obtain their views of key risks and areas for audit coverage.

The Plan had been prepared after a full refresh of the 'audit universe' and a thorough review of the Council's risk registers. It had also taken into account:-

- Reports by management to the Audit Committee on the management of risk
- Cumulative audit knowledge and experience of previous work undertaken
- Discussions with Strategic Directors and Assistant Directors
- Knowledge of existing management and control environments
- Professional judgement on the risk of fraud or error
- Examination of Corporate Plans
- Review of external inspection reports

The report was originally prepared for presentation to the March meeting of the Audit Committee which was cancelled. It had since been revised to take into account the impact of Covid-19 and would need to remain flexible to respond to future developments.

It was noted that the Audit Plan was usually completed soon after the year end, however, that had not been possible for 2019/20 with the remaining audits considered in the 2020/21 planning process. In response to Covid-

19, the Gold and Tactical groups had authorised changes to various systems and processes. Those changes had been considered when producing the updated Plan to give assurance that an adequate level of control had been maintained. The majority of the team had also supported the Finance Department in the processing of Business Support Grant applications. The need for this support had steadily reduced with only one member of the team currently providing part-time support.

As well as identifying all of the proposed pieces of work to be carried out during the year, the Plan explained the statutory requirements for Internal Audit, described the approach and methodology adopted in producing the Plan, showed the level of resources available to deliver the Plan was 975 days and included a contingency for responsive work.

Outline scopes for each review were submitted. The following types of audit work would be completed:-

- Risk based work
- System based work
- Follow up audits
- Advisory work
- Value for money
- Grant claims
- Schools
- IT Audit
- Counter fraud work

It was noted that it was hoped to re-arrange the proposed Audit Needs Assessment of RMBC IT by Salford City Council Internal Audit Services who specialised in this area of work.

Resolved:- (1) That the report be received and its contents noted.

(2) That the Internal Audit Plan for 2020/21 be approved.

## **97. AUDIT COMMITTEE ANNUAL REPORT 2019/20**

David Webster, Head of Internal Audit, submitted the Audit Committee 2019/20 Annual Report which had been produced in compliance with current best practice for audit committees. The Chartered Institute of Public Finance and Accountancy (CIPFA) had issued guidance that Audit Committees should report annually on how they had discharged their responsibilities during the previous municipal year.

The draft annual report was attached to the report submitted together with the Committee's Terms of Reference. The report set out:-

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- A summary of the work undertaken
- External Audit
- Internal Audit
- Anti-Fraud and Corruption
- Risk Management
- Corporate Governance
- Finance
- Other
- Training
- Terms of Reference 2019/2020

Resolved:- That the Audit Committee Annual Report 2019/20 be noted and submitted to Council for approval.

### **98. AUDIT COMMITTEE FORWARD PLAN**

Consideration was given to the proposed forward work plan for the Audit Committee covering the period September, 2020 to July, 2021.

Resolved:- That the Audit Committee forward plan, now submitted, be supported and any amendments arising actioned in due course.

### **99. ITEMS FOR REFERRAL FOR SCRUTINY**

Improving Places Select Commission - Outcome of the Repairs and Maintenance Cost Collection Workbook Audit for information.

### **100. EXCLUSION OF THE PRESS AND PUBLIC**

Resolved:- That under Section 100(A) 4 of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relates to finance and business affairs).

### **101. RISK MANAGEMENT ANNUAL SUMMARY 2019-2020**

Simon Dennis, Corporate Improvement and Risk Manager, presented an annual summary of risk management activity in accordance with the Risk Management Standard ISO31000.

The report summarised the principal risk management activity that had been carried out in the Council throughout the past financial year. It covered a wider range of topics than those reported on the Strategic Risk Register reports and aimed to cover not only the key movements in Strategic Risks that had occurred over the period, but also the key elements of the Council's activity throughout the year.

The report also provided an up-to-date position with regard to the impact of the Covid-19 pandemic on risk management activity. Each workstream had contributed to a Corporate Threat and Risk assessment which was updated at least weekly. Although the normal Corporate Risk Management processes had had to be suspended, the risks on the Strategic Risk Register continued to be managed by Directorates. It was intended that the process would gradually revert to normal as the Covid-19 response stepped down and moved into recovery phase.

The report set out:-

- Risk Management Responsibilities
- Training Summary
- Risk Management Process
- Risk Profile 2019/20
- Future Developments.

The total number of strategic risks included on the Risk Register had reduced from 13 to 12 over the period February, 2019 to January 2020. One risk had been removed from the Corporate Strategic Register with none being added. Of the risks that remained, 6 had a decreasing risk score and 5 had been constant. One risk had increased in risk level from January 2019 to January 2020.

Discussion ensued on the report with the following issues raised/clarified:-

- Review of Risk Management training delivery to be undertaken
- Refresh of the Corporate Risk Register and terminology used

Resolved:- (1) That the annual summary of Risk Management activity be noted.

(2) That the next Corporate Risk Register update include a Directorate breakdown of those who had undertaken Risk Management training.

**102. CORPORATE RISK REGISTER AND RISK MANAGEMENT ARRANGEMENTS DURING THE COVID-19 RESPONSE**

Simon Dennis, Corporate Improvement and Risk Manager, presented the current Strategic Risk Register which summarised the current position of the Register in light of the Council's response to the Covid-19 pandemic as well as providing an overview of the current risk management arrangements in place and the plans for refreshing the Strategic Risk Register.

The report detailed the overall arrangements during the pandemic which had included:-

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- A group of Directorate Co-ordinators appointed to work with the Business Continuity Team providing a link between each Directorate's response and the Corporate response. Update reports submitted to Gold Group providing a summary of each individual Directorate's position
- Business Impact Assessment undertaken to identify the most critical services and make recommendations to Gold Group regarding any resource/service delivery issue
- A number of cross-Directorate workstreams established focussing on specific aspects of the response to and subsequent recovery from Covid-19

Due to the significant level of activity across the Council, the "normal" Corporate Risk Management processes had been suspended. However, the risks on the Strategic Risk Register had continued to be managed by Directorates. The process would gradually revert to normal as the Covid-19 response stepped down and the Council moved into its recovery phase.

The Council was in the process of developing a Recovery Plan which would take the place of the Council Plan until May 2021. It would set out the new priorities of the Council as it recovered from the impact of the pandemic; the Corporate Risk Register would need to be re-aligned to ensure it sat alongside the Plan and correctly picked up the strategic risks that each Directorate was responsible for.

Resolved:- That the report be noted.

### **103. ADULT CARE, HOUSING AND PUBLIC HEALTH (ACPH) DIRECTORATE RISK REGISTER**

Consideration was given to a report, presented by AnneMarie Lubanski, Strategic Director, Adult Care, Housing and Public Health, and Councillor Roche, Cabinet Member for Adult Social Care and Health, providing details of the Risk Register and risk management activity within the Adult Care, Housing and Public Health Directorate.

The Committee sought reassurance on the Risk Register and risk management activity in particular highlighting:-

- How the Register was maintained/monitored and at what frequency
- Involvement of the Cabinet Member
- How risks were included on and removed from the Register
- Anti-fraud activity in the Directorate

A detailed breakdown was given of the 15 risks included within the Register

Discussion ensued with the following issues raised:-

- Covid-19 meetings that taken place 7 days a week to discuss the risks being presented were recorded and acted upon
- Care Home Care Plans produced – one for 65's and one for under 65's
- DLT workshop with front line staff as well as team managers to assess operational, strategic and corporate risks
- Rest centres
- Early retirement of the Director of Public Health and the interim arrangements whilst a permanent appointment was made
- Care home provision in the Borough
- Ongoing transition of Learning Disability Services
- Recent announcement of the dissolution of Public Health England
- Respite care

Resolved:- That the progress and current position in relation to risk management activity in the Adult Social Care, Housing and Public Health Directorate, as detailed in the report now submitted, be noted.

**104. INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 1ST MAY TO 30TH JUNE 2020**

Consideration was given to a report presented by David Webster, Head of Internal Audit, which provided a summary of Internal Audit work completed during 1<sup>st</sup> May to 30th June, 2020, and the key issues that had arisen therefrom.

Work on the 2020/21 plan had commenced. There would be a half-yearly review and the plan would need to remain flexible throughout the year to allow for any developments relating to Covid-19.

8 audits had been finalised since the last Committee meeting including one receiving Substantial Assurance, 5 Reasonable Assurance and 2 Partial Assurance. Audit opinions and a brief summary of all audit work concluded since the previous meeting were set out at Appendix B.

Internal Audit also carried out unplanned responsive work and investigation into any allegations of fraud, corruption or other irregularity. Target performance was not achieved for audits completed within planned time and productive time with several taking slightly longer than planned. This would be monitored. Productive time reflected the time spent on Business Support Grants i.e. more than 60 days in May and June (Appendix C).

Appendix D showed the number of outstanding recommendations that had passed their original due date, age rated. The number of aged outstanding actions had decreased from 49 to 38 and those more than 120 days overdue had reduced to 18. However, 14 of those had not reached their revised deferral date and a further 15 had been deferred because priority had had to be given to the Covid-19 response.

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Discussion ensued on various matters contained within the agreed actions section of the report which included:-

- Satisfaction surveys
- Chargeable time
- Home to School Transport e.g. sub-letting of contracts, schools aware of who the drivers were, mechanical state of vehicles

Resolved:- (1) That the Internal Audit work undertaken since meetings of the Audit Committee, 1<sup>st</sup> May to 30<sup>th</sup> June, 2020, and the key issues arising therefrom be noted.

(2) That the information submitted regarding the performance of Internal Audit and the actions being taken by management in respect of the outstanding actions be noted.

(3) That the audit of the revised Home to School Contracts take into account the issues raised at the meeting.

### **105. URGENT BUSINESS**

There was no urgent business to consider.

### **106. DATE AND TIME OF 2020/21 MEETINGS**

Resolved:- That meetings of the Audit Committee be held during 2020/21 as follows:-

Tuesday,      29<sup>th</sup> September, 2020  
                    24<sup>th</sup> November  
                    19<sup>th</sup> January, 2021  
                    23<sup>rd</sup> March

all commencing at 2.00 p.m.