

AUDIT AND GOVERNANCE COMMITTEE

**MEETING HELD AT THE TOWN HALL, BOOTLE
ON 15 DECEMBER 2021**

PRESENT: Councillor Robinson (in the Chair)
Councillors D'Albuquerque, McGinnity,
John Joseph Kelly, Pugh, Shaw and Sir Ron Watson

ALSO PRESENT: Mr H. Rohimun, External Auditor – Ernst and Young
(EY)

27. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Dowd, Sonya Kelly, Murphy, Page, Roche and John Sayers.

28. DECLARATIONS OF INTEREST

No declarations of any disclosable pecuniary interests or personal interests were received.

29. MINUTES

RESOLVED:

That the minutes of the meeting held on 15 September 2021 be confirmed as a correct record.

30. STATEMENT OF ACCOUNTS 2020/2021

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services on the final audited 2020/2021 Statement of Accounts, including the Annual Governance Statement, for consideration and approval. In addition, the proposed "Letter of Representation" letter from Sefton to Ernst & Young LLP (EY) was attached for approval.

The report indicated that the deadline for publication had been 30 September 2021. However, the regulations allowed for a delay in publication where the audit had not yet been completed. The report explained that there had been a delay in completing the audit for 2020/2021, but as the audit was now largely complete, the Statement of Accounts was presented for approval.

The Statement of Accounts 2020/2021 provided information about the Authority's finances in respect of the cost of the Authority's services and what the Authority's assets and liabilities were at the end of the year.

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The report provided details of the Comprehensive Income and Expenditure Statement; the Movement in Reserves Statement, the Balance Sheet; Cash Flow Statement; Notes to the Financial Statements – Expenditure and Funding Analysis; Other Notes to the Financial Statements; the Collection Fund; Group Accounts; the Annual Governance Statement and the Report of the Independent External Auditors (Ernst and Young (EY) LLP.

The EY audit had focused on the following areas with no significant issues having been found:

- Misstatements due to fraud or error (Fraud Risk).
- Risk of fraud in revenue and expenditure recognition (Fraud Risk).
- Valuation of pension fund assets and liabilities in the Local Government Pension Scheme (Significant Risk).
- Valuation of land and buildings (Significant Risk).
- New Central Government Grants and other Covid-19 funding streams (Significant Risk).
- Investments and Subsidiaries (Inherent Risk).
- Going Concern (Inherent Risk).

The EY report indicated that the areas of the audit still to be completed were:

- Valuation of land and buildings;
- completion of our internal consultation process on our audit assessment and review of the Council's proposed going concern disclosures;
- final quality review procedures by the engagement partner and quality reviewer;
- review of the final version of the financial statements;
- completion of subsequent events review; and
- receipt of the signed management representation letter and accounts.

The report indicated that an update report detailing any changes made to the Statement of Accounts from that presented to this Committee, would be presented to Audit and Governance Committee scheduled to take place on 16 March 2022.

The Executive Director of Corporate Resources and Customer Services advised the Committee of the intention to seek approval from Council to procure external audit services through the Public Sector Audit Appointments body and that this would be presented at Budget Council for decision.

The Executive Director of Corporate Resources and Customer Services, and a representative from Ernst and Young, presented the report and answered questions thereon.

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A Member requested that subject to any amendments being made to the Letter of Representation following completion of the outstanding audit areas, then a copy of the amended letter be shared with Members. The Executive Director of Corporate Resources and Customer Services indicated that any changes to the letter following completion of the audit would be shared with Audit and Governance Committee members prior to it being signed by himself and the Chair.

RESOLVED: That

- (1) the Ernst & Young LLP Audit Planning Report for 2020/2021 be noted;
- (2) the 2020/2021 Statement of Accounts be approved subject to the final completion of the audit;
- (3) approval be given for the Chair to have delegated authority to approve the final Statement of Accounts following completion of the audit, should any changes be required to the current version approved by this Committee;
- (4) the intention to bring an update report to this Committee in March which will detail any changes made be noted;
- (5) the Annual Governance Statement (provided in Section 11 of the Statement of Accounts) be approved;
- (6) the comments of Ernst & Young LLP be noted;
- (7) the Letter of Representation be approved subject to completion of the audit, and the Chair and the Executive Director of Corporate Resources and Customer Services be authorised to sign it on the Council's behalf;
- (8) delegated authority be granted for the Chair and the Executive Director of Corporate Resources and Customer Services to sign on the Council's behalf a revised Letter of Representation should the approved version need to be updated following the completion of the audit; and
- (9) the intention to seek approval from Council to procure external audit services through the Public Sector Audit Appointments body be noted.

31. TREASURY MANAGEMENT POSITION TO SEPTEMBER 2021

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which provided a review of the Treasury Management Activities undertaken to 30 September 2021. This was the second report of the ongoing quarterly monitoring reports

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provided to the Audit and Governance Committee whose role it was to carry out scrutiny of treasury management policies and practices.

The Executive Director of Corporate Resources and Customer Services presented the report and answered questions thereon.

RESOLVED: That

- (1) the Treasury Management update to 30 September 2021 be noted; and
- (2) the effects of the decisions taken in pursuit of the Treasury Management Strategy and the implications of changes resulting from regulatory, economic and market factors affecting the Council's management activities be noted.

32. CORPORATE RISK MANAGEMENT

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services on the updated Corporate Risk Register, indicating that since the last meeting the Corporate Risk Register had been reviewed and updated.

The Chief Internal Auditor presented the report indicating that three new risks had been added or escalated from the Service Risk Registers to the Corporate Risk Register, namely:

- Financial sustainability beyond 2021/2022 (Housing Development Company)
- ASC Workforce – recruitment, availability of suitably qualified staff and retention of current workforce; and
- failure to adequately maximise the benefits of digital growth.

No risks had been de-escalated from the Corporate Risk Register to the Service Risk Registers or deleted from the Corporate Risk Register.

The risks had been re-scored in accordance with the revised assessment guidance included in the Corporate Risk Management handbook which was approved by the Committee in December 2020.

The Chief Internal Auditor indicated that there was no planned update of the Corporate Risk Management handbook in December 2021 as the Council was awaiting the outcome of definition of the Council's Risk Appetite before carrying out a review, due to take place in January 2022.

The Chief Internal Auditor indicated that as highlighted in September 2021, although there had been substantial work undertaken over the past six years to embed risk management across the Council, there was a gap in delivering key aspects of the Corporate Risk Management Handbook such as the regular updating of Service Risk Registers and updating the Corporate Risk Register and key actions had been set out to address

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these findings and progress was being monitored with an improvement being experienced in this cycle.

Referring to the Corporate Risk Register at page 35 of the agenda, a member raised a question with regard to the financial implications in respect of the Housing Development Company beyond 2021/22.

It was suggested that the Executive Director of Corporate Resources and Customer Services be requested to provide a presentation to the next meeting of the Audit and Governance Committee on the information and assurances provided to Cabinet in respect of the company and how Audit and Governance Committee can discharge its duty of risk assessing the Housing Development Company whilst respecting commercial confidentiality.

Other matters were raised in relation to:

- (i) the current level of the MTFP (Medium Term Financial Plan) – The Chief Internal Auditor indicated that he would check and report back;
- (ii) the risk of failure to adequately invest in the Highway network and associated assets. The Chief Legal and Democratic and Monitoring Officer indicated that he would speak to the Head of Highways and Public Protection about action being taken; and
- (iii) lack of census information - The Chief Internal Auditor said he would check and report back.

The Chief Internal Auditor reminded the Committee that at the Audit and Governance Committee held on 18 December 2019, it had been agreed that for future meetings, a short presentation would be made by a risk owner on one of the risks listed in the Corporate Risk Register. In this respect, Ms Deborah Butcher, Executive Director - Adult Social Care and Health, had been invited to the meeting to provide a presentation on the risks associated with Adult Social Care.

Accordingly, Ms Butcher briefed the Committee on the following risks associated with Adult Social Care, the measures in place to mitigate those risks and answered questions thereon:

- Market failure of social care provision across children and adult services
- Recruitment availability of suitably qualified staff

RESOLVED: That

- (1) the contents of the Corporate Risk Register, particularly the nature of the major risks facing the Council and the controls and planned action in place to mitigate these risks be noted;

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- (2) the Executive Director of Corporate Resources and Customer Service be requested to provide a presentation to the next meeting of the Audit and Governance Committee on the information and assurances provided to Cabinet in respect of the company and how Audit and Governance Committee can discharge its duty of risk assessing the Housing Development Company whilst respecting commercial confidentiality; and
- (3) Ms Butcher be thanked for her informative presentation on the risks associated with Adult Social Care and the measures in place to mitigate those risks.

33. RISK AND AUDIT SERVICE PERFORMANCE

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which detailed the performance and key activities of the Risk and Audit Service for the period 8 September 2021 to 7 December 2021.

The Chief Internal Auditor presented the report and answered questions thereon.

RESOLVED: That

- (1) the progress in the delivery of the 2021/22 Internal Audit Plans and the activity undertaken for the period 8 September to 7 December 2021; and
- (2) the contributions made by the Health and Safety, Insurance, Assurance and Risk and Resilience teams in managing the Council's key risks be noted.

34. THE FOLLOW UP OF AUDIT AGREED ACTIONS

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which provided a follow-up of Audit agreed actions.

The report indicated that in accordance with Public Sector Internal Audit Standards, the Chief Internal Auditor must establish and maintain a system to monitor the disposition of results communicated to management; and a follow-up process to monitor and ensure that management actions had been effectively implemented or that senior management had accepted the risk of not taking action.

The Chief Internal Auditor presented the report and indicated that for Sefton Council the follow up of agreed audit action plans included the monitoring of progress of audit agreed actions through internal audit and periodically reporting progress to the Audit and Governance Committee.

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This report summarised the current implementation position and arrangements for monitoring and reporting internal audit recommendations.

The Chief Internal Auditor stated that there had been considerable progress in the implementing of audit agreed actions which would improve the Council's internal control framework. Covid-19 had had an impact on the delivery of actions however there were pockets where progress had been limited, for example Adult Social Care debt, where progress had been slower than expected although management had agreed to implement the outstanding internal audit actions.

RESOLVED: That

The progress in respect of Audit agreed actions outlined in the report be noted.

35. ANNUAL FRAUD REPORT

The Committee considered the report of the Executive Director of Corporate Resources and Customer Service on the effectiveness of Sefton Council's ('the Council') arrangements in countering fraud, bribery and corruption and presenting the work carried out during the past financial year to minimise the risk of fraud.

The Chief Internal Auditor presented the report which provided an update on counter fraud activities during the period 1 April 2020 to 31 March 2021; demonstrated how the Council was dealing with some of the fraud risks it was subjected to; and outlined how resources available had been used to tackle fraud and emerging priorities going forward.

RESOLVED:

That the report be noted.

36. EXCLUSION OF PRESS AND PUBLIC

RESOLVED:

That, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it would involve the likely disclosure of exempt information as defined in Paragraphs 3 and 7A of Part 1 of Schedule 12A to the Act. The Public Interest Test has been applied and favoured exclusion of the information from the press and public.

37. REVIEW OF RISK BASED VERIFICATION FOR HOUSING BENEFIT AND LOCAL COUNCIL TAX REDUCTION CLAIMS

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The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which provided details of a review of the Council's Risk Based Verification policy for Housing Benefit (HB) and Council Tax Reduction (CTR) and recommended changes to the approach with effect from 1st April 2022.

RESOLVED: That

- (1) approval be given for ending the use of Risk Based Verification in the administration of HB, CTR claims and reported changes in circumstances received, after 31st March 2022, and
- (2) changes to verification of evidence to support HB and CTR claims received after 31st March 2022 be approved.

38. RE-ADMITTANCE OF THE PRESS AND PUBLIC

RESOLVED:

That the press and public be re-admitted to the meeting.

39. AUDIT AND GOVERNANCE COMMITTEE MEMBER TRAINING AND DEVELOPMENT

The Chief Internal Auditor (CIA) provided a verbal update on Audit and Governance Committee Member training and development.

He reminded Members that the Audit and Governance Committee Annual Report had been considered at the last meeting on 17 September 2021 and that this report had included a Work Programme for the Committee. This Work Programme included a Review Audit and Corporate Governance Committee training requirements; in which respect it was planned for a report to be submitted for consideration by the Audit and Governance Committee in March 2022.

The report would include suggestions for an Audit and Governance Member Training Programme, which would be based on CIPFA guidance on what skills Audit and Governance Committee members should have. He stressed the importance of Members 'buying into the training' by helping to identify their own training needs. It was proposed that the sessions would take place prior to each Audit and Governance Committee meeting and would last up to one hour.

The CIA also indicated that development of a library of information for Audit and Governance Committee members to access was currently being undertaken comprising CIPFA information pamphlets and slides from previous and future training sessions.

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That the update on proposals for Audit and Governance Member Development be noted.