

Sefton Council



**Audit and Governance
Committee
Annual Report 2021-2022**

**Councillor Dave Robinson
Chair**

Introduction by the Chair of the Audit and Governance Committee



It gives me great pleasure to introduce the 2021/22 Annual Report of the Audit and Governance Committee.

The report informs the Council of the broad range of work undertaken by the Committee in fulfilling its Terms of Reference and in doing so provides assurances on the effectiveness of the Committee in meeting its obligations.

The Committee's Terms of Reference were developed in accordance with the CIPFA guidance and the detailed Committee Work Programme provides further assurances that the Terms of Reference are reviewed.

I wish to place on record my appreciation to the Executive Director of Corporate Resources and Customer Services and his team for all their hard and work and continued support to members in ensuring the success of meeting remotely.

I look forward to working with Committee members and officers who support the Committee during 2022-2023.

1.0 Introduction

1.1 The Audit and Governance Committee has delegated responsibilities from Council. This report provides details of how the Committee has discharged those responsibilities and delivered against its terms of reference which can be found in the Council's Constitution and at Appendix 3 to this report.

1.2 The purpose of the Audit and Governance Committee is to:

- provide independent assurance to the Council in respect of the effectiveness of the Council's governance arrangements, risk management framework and the associated control environment; and
- independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment.

1.3 The key benefits of an effective audit Committee are:

- increasing awareness regarding the effectiveness and continued development of the Council's governance arrangements;
- providing additional assurances on the robustness of the Council's governance arrangements through a process of independent and objective review;
- reducing the risks of illegal or improper acts;
- increasing public confidence in the objectivity and fairness of financial and other reporting;
- contributing to performance improvements in assurance levels and awareness of the need for strong internal control including the implementation of audit recommendations;
- reinforcing the importance and independence on internal and external audit and similar review processes; and
- promotes high standards of ethical behaviour by developing, maintaining and monitoring performance and Codes of Conduct for Members of the Council (including co-opted members and other persons acting in a similar capacity).

1.4 Audit and Governance Committee Work Programme

The Committee's Work Programme is a rolling and flexible schedule of work that should be undertaken by the Committee. The programme is designed to ensure that the Committee remains on track with its ambitious schedule of work.

The Chartered Institute of Public Finance and Accountancy (CIPFA) publication - "Practical Guidance for Local Authorities and Police" recommends as good practice, the provision of an annual Work programme to enable Audit and Governance Committees to discharge their duties in accordance with their Terms of Reference.

Adherence to the work plan ensures that the Audit and Governance Committee has a structured, consistent approach to fulfilling its responsibilities as detailed in the CIPFA guidance.

In May 2021, the meeting of the Adjourned Annual Council agreed the adoption of a new model Terms of Reference for the Audit and Governance Committee. This was based on the Chartered Institute of Public Finance and Accountancy's (CIPFA's) publication – "Practical Guidance for Local Authorities and Police" which sets out CIPFA's guidance on the role, function and operation of audit committees in local authorities and police bodies and represents best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales. The Terms of Reference have been enhanced to reflect the Committee's Governance role which is not detailed in the guidance.

Following approval of the Terms of Reference by the Adjourned Annual Council, a proposed Work Plan was approved by the Audit and Governance Committee on 15 September 2021.

The Work Programme for each Municipal Year is an important element in planning the year ahead as being closely aligned with the Terms of Reference, it ensures that the Committee has a structured, consistent approach to fulfilling its responsibilities within the Terms of Reference and helps to ensure the effectiveness of the Audit and Governance Committee. It is also important to note that a degree of flexibility is applied in order that any ad hoc / urgent reports may be considered by the Committee as and when required.

The Work Programme for 2021 to 2022 is set out in Appendix 2 to this report.

2.0 Year 2021-2022

Meetings of the Audit and Governance Committee were held on the following dates during 2021/22:

- 23 June 2021
- 15 September 2021
- 15 December 2021
- 16 March 2022

Further information on the Audit and Governance Committee Meetings, including agendas and minutes is available at the following link: [Sefton Council](#)

As indicated in the Work Programme, reports submitted related to the following areas:

- Internal Audit
- Risk Management
- Accounts, Financial Statements and Treasury Management
- Information Governance/Constitution Updates
- Miscellaneous / Ad hoc reports

2.1 **Internal Audit**

To support the Committee in monitoring progress of Internal Audit work within the year the following reports were presented:

Meeting	Reports
15 September 2021	Annual Report and Opinion of the Chief Internal Auditor
15 December 2021	Follow up of Audit Agreed Actions
16 March 2022	Internal Audit Charter and Annual Audit Plan 2022-2023

2.2 **Risk Management**

The following reports on the management of risk within the Council during the year were presented to the Audit and Governance Committee:

Meeting	Reports
23 June 2021	Corporate Risk Management
23 June 2021	Risk and Audit Service Performance
15 September 2021	Corporate Risk Management
15 September 2021	Risk and Audit Service Performance
15 December 2021	Corporate Risk Management
15 December 2021	Risk and Audit Service Performance
16 March 2022	Corporate Risk Management
16 March 2022	Risk and Audit Service Performance

2.3 **Accounts, Financial Statements & Treasury Management**

The following Financial and Treasury Management reports were presented to the Audit and Governance Committee:

Meeting	Reports
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15 September 2021	Draft Statement of Accounts 2020/2021
15 September 2021	Treasury Management Outturn and Position to 31 July 2021
15 December 2021	Statement of Accounts 2020/2021
15 December 2021	Treasury Management Position to September 2021
15 December 2021	Review of Risk Based Verification for Housing Benefit and Local Council Tax Reduction Claims
17 March 2021	Treasury Management Position to January 2022

2.4 **Information Governance/Constitution Updates**

Within the financial year significant work was undertaken on the Council's governance arrangements and issues in relation to the constitution. These issues were presented to the Audit and Governance committee in advance of progression to Council for approval where required and are reflected below:

Meeting	Reports
23 June 2021	Amendments to Motions at Full Council
15 September 2021	Information Management and Compliance
15 September 2021	Audit and Governance Annual Report 2021-2022
15 September 2021	Procurement – National Procurement Policy, Contract Procedure Rules and Internal Processes
15 September 2021	Review of Members Code of Conduct Complaints 2020-2021
15 September 2021	Review of Whistleblowing Complaints
15 December 2021	Annual Fraud Report
16 March 2022	Sefton Council Annual Money Laundering Policy Update
16 March 2022	ICT Acceptable Usage Policy
16 March 2022	Audit and Governance Committee Member Training and Development
16 March 2022	Audit and Governance Committee Work Programme 2022-2023

2.5 **Miscellaneous Reports**

The following ad hoc reports, including an item submitted by a Member of the Audit and Governance Committee in accordance with Rules 115 and 116 of Chapter 4 of the Constitution were considered by the Audit and

Governance Committee:

Meeting	Reports
23 June 2021	Ernst and Young reports on: <ul style="list-style-type: none">• Certification of Claims and Returns Annual Report 2019-2020• Annual Audit Letter for the year ended 31 March 2020• 2020/2021 Auditor work on Value for Money (VFM) Arrangements• Sustainability of Local Authority Financial Reporting and External Audit in England – The Sir Tony Redmond Independent Review
23 June 2021	Item submitted by a Member of the Audit and Governance Committee in accordance with Rules 115 and 116 of Chapter 4 of the Constitution – Bootle Strand and Surrounding Area – Sir Ron Watson
15 September 2021	Presentation by the Executive Director Place on Bootle Strand and Surrounding Area (in response to Sir Ron Watson's report on 23/6/22

3.0 Assurance Activity 2021/2022

- 3.1 In order for the Committee to draw conclusions about the effectiveness of the Council's internal control framework, governance and risk management it gained assurances from a number of sources.
- 3.2 The Accounts and Audit (England) Regulations 2015 require the Council to maintain an adequate and effective internal audit which is discharged by the Section 151 Officer. The Chief Internal Auditor works with Internal Audit to provide assurances for both Members and management on the effectiveness of the control framework.
- 3.3 The Committee received and considered reports in relation to the Annual Report and Opinion of the Chief Internal Auditor that provided a summary of the work of internal audit during 2021-2022 and the Chief Internal Auditor's opinion on the overall control environment operating within the Council during the year. This report is a key requirement of the Public Sector Internal Audit Standards. As part of the Chief Internal Auditor's reporting the impact of the Covid pandemic for 2020/21; the transition to homeworking by officers – which had gone smoothly; the substantial change in the risk environment of the Council and a revised audit plan that had been drafted to identify the new risks were reported and considered.
- 3.4 The Committee also received regular updates in relation to the performance and key activities of the Risk and Audit Service to each

Meeting and agreed revisions to the Internal Audit Plan for 2021/22.

4.0 Risk Management

4.1 Risk Management continues to be a key component to service planning and regular monitoring of the corporate risk register is a vital of the Committee. The Committee routinely received reports in that respect. Throughout 2021/22 risks had been re-scored in accordance with the assessment guidance included in the Corporate Risk Management handbook. Members welcomed the continuance of the regime of receiving a short presentation from a risk owner on one of the risks listed in the Corporate Risk Register, which provided Members with further insight into risks associated with particular service areas and allowed for a further layer of scrutiny and challenge. During 2021/2022 the Committee received the following presentations:

- Executive Director Place – on the risks relating to the impact on the Sefton economy of Covid-19, EU Exit, winter and austerity.
- Head of Children’s Social Care on the risks associated with Children’s Social Care
- Executive Director Adult Social Care and Health on the risks associated with Adult Social Care.
- Executive Director Corporate Resources and Customer Services on the risk associated with financial sustainability relating to the Council’s housing development company.

4.2 The Committee also considered and regularly reviewed the performance and key activities of the Risk and Audit Service during 2021/2022 and were provided with Internal Audit Plans and contributions made by the Health and Safety, Insurance, Assurance and Risk and Resilience teams.

5.0 Treasury Management

5.1 The Audit and Governance Committee has a responsibility to provide a level of scrutiny in relation to treasury management policies and practices, and as such, the Committee considered the treasury management outturn position for the period 2021/22 which provided a review which included the implications of changes resulting from regulatory, economic and market factors affecting the Council’s treasury management position along with the treasury management activities undertaken to 31 March 2022.

5.2 The Committee also considered quarterly progress reports on the treasury management position and performance against prudential indicators. As a continuing result of the pandemic, the Council’s Treasury Management activities took on even greater importance especially around cash flow management and the investment of significant grant sums that the Council was distributing on behalf of central government-

these were reported continually to Audit and Governance committee through the year and Council in accordance with the agreed Strategy.

6.0 Statement of Accounts and External Auditors

- 6.1 At its meeting held on 15 September 2021 the Committee considered the draft un-audited Statement of Accounts for 2020/21 in advance of the final audited Statement of Accounts which was expected to be presented for approval in December 2021.
- 6.2 The Committee also considered the report by Ernst and Young LLP, the Council's external auditors, setting out an overview of the 2020/21 audit strategy, including an assessment of key risks and a planned audit strategy in response to those risks. Members scrutinised the draft statement of accounts robustly by asking questions of both the Section 151 Officer and the Council's external auditor.
- 6.3 The expected final Statement of Accounts 2020/21 was considered on 15 December 2021 and included the Annual Governance Statement for consideration and approval. In addition, and the Report of the Independent External Auditors and the proposed 'Letter of Representation' letter from Sefton Metropolitan Borough Council to the External Auditors – Ernst & Young LLP (EY), were also considered.
- 6.4 The Statement of Accounts 2020/21 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.
- 6.5 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 the Committee, would be presented to Audit and Governance Committee scheduled to take place on 16 March 2022. However, due to a technical accounting issue relating to the valuation of infrastructure assets that have been raised nationally the audit of the Statement of Accounts is yet to be completed. CIPFA has consulted on changes to the Accounting Code of Practice which will allow for the issue to be resolved and the audit to be concluded. However, it is currently unknown how long this process will take.

7.0 Information Governance/Constitution Updates and other Miscellaneous reports falling within the Committee's Terms of Reference

Within the financial year significant work was undertaken on the Council's governance arrangements and issues in relation to the constitution. These issues were presented to the Audit and Governance committee in advance of progression to Council for approval where required and are reflected below:

- 7.1 On 23 June 2021 the Committee considered a report on **Amendments to Motions at Full Council** recommending that motions could be dealt with in the same manner as when meetings had been held remotely due to the Covid-19 pandemic, whereby notice of an amendment to a motion was emailed to the Chief Legal and Democratic Officer no later than 4 pm on the day before the Full Council meeting using a template for submission and stating the names of the mover and seconder of the amendment. If approved as a valid amendment, the notice of the amendment was circulated to all Members by email no later than 4 pm on the day of the Full Council meeting. The report proposed that this process continue and be written into the Constitution. The Audit and Governance Committee did not approve the recommendation on the grounds that it would be wrong to stifle the cut and thrust of debate at Full Council meetings.
- 7.2 At its Meeting held on 15 September 2021 the Committee considered the following key reports:
- 7.2.1 **Information Management and Compliance** – informing members of

the Council's approach to information governance and management and the consequences of not having appropriate arrangements in place together with details of information compliance in 2020/2021. The report outlined the current training in the form of eLearning course which enables staff and Councillors to gain a working knowledge of the legislation governing Information Compliance and advice on how to stay within the law when conducting their day-to-day activities including:

- Collecting Information.
- Maintaining Accurate Information.
- Do's & Don'ts when working with information.
- Sharing information.
- Storage & Security of information.
- Information incidents and what to do if it happens to you.
- Rights of Access to Information.
- Direct Marketing and Newsletters.
- Disposal of information

The course content is reviewed to ensure alignment to best practice and changes in the security risk profile; the next update will include increased information around cyber.

The report also provided an update on Freedom of Information requests in accordance with the Freedom of Information Act; Subject Access and disclosure requests; data incidents in respect of the Council's legal obligation to take appropriate measures to prevent unauthorised or unlawful processing, accidental loss, and destruction of or damage to personal data; and the on-line self-assessment tool – the Data Security and Protection Toolkit – All organisations that have access to NHS patient data and systems must use this Toolkit to provide assurance that they are practising good data security and that personal information is handled correctly.

7.2.2 **National Procurement Policy, Contract Procedure Rules and Internal Processes**

The Committee approved the refresh of the Council's Contract Procedure Rules and noted the published Modern Slavery Statement, which is updated annually and can be viewed on the Council's website at the following link:

<https://www.sefton.gov.uk/media/1265/modern-slavery-statement.pdf>.

The Committee also noted that a full rewrite of the Contract Procedure Rules would take place once the updated national guidance was published when a further report would be submitted for consideration by the Audit and Governance Committee.

7.2.3 **Review of Members Code of Conduct Complaints** – which provided a summary of complaints received in the municipal year 2020 to 2021

that Members of Sefton Council had breached its Members Code of Conduct, indicating that six complaints had been received alleging that Sefton members had breached its Code of Conduct for Members. All the complaints had been made by members of the public and for the reasons set out in the report none of the complaints had led to a full investigation and had been concluded without any adverse findings being made. Four of the six complaints had concerned social media posts.

- 7.2.4 **Review of Whistleblowing Complaints** –which apprised the Committee of all complaints received by the Council via its whistleblowing policy in the municipal year 2020 to 2021 in accordance with the terms of reference of the committee and the terms of the policy.

The Policy which had been approved by the Audit and Governance Committee on 19 June 2019 can be found on the Council's intranet and internet pages:
[Whistleblowing policy \(sefton.gov.uk\)](https://www.sefton.gov.uk/whistleblowing-policy).

The report indicated that during the municipal year 2020 to 2021 the Council had received six referrals under its Whistleblowing Policy. Three of the referrals had made anonymously and for the other three feedback was provided on the outcome of the referral.

- 7.3 At its meeting on 15 December 2021 the Committee considered the **Annual Counter Fraud Report 2020-2021** which provided assurance on the effectiveness of Sefton Council's ('the Council') arrangements in countering fraud, bribery and corruption and the work carried out during the past financial year to minimise the risk of fraud. This supported the requirements of the Accounts and Audit Regulations (England) 2015, which states that the Council must have measures in place 'to enable the prevention and detection of inaccuracies and fraud'. The report also met one of the key actions from Sefton's self- assessment against the Chartered Institute of Public Finance and Accountancy (CIPFA's) Code of Fraud Practice that the Audit and Governance Committee receives regular quarterly updates on counter fraud activity of the Assurance Team.

The report provided an update on counter fraud activities during the period 1 April 2020 to 31 March 2021, demonstrated how the Council dealt 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.

- 7.4 At its Meeting held on 16 March 2022 the Committee considered the following key reports:

- 7.4.1 **ICT Acceptable Usage Policy** – The Committee gave its approval for

the revised security policy relating to the authority's ICT estate – ensuring that Sefton's ICT was operating in line with industry standards for ICT Security Management. The policy document was a yearly review of the ICT Acceptable Usage Policy previously reviewed by the Audit and Governance Committee on 16 December 2020. The revised policy was given final approval by Council on 21 April 2022.

7.4.2 Sefton Council Annual Money Laundering Policy Update – The report advised that Guidance from the Chartered Institute of Public Finance and Accountancy ("CIPFA") indicated that local authorities should comply with the underlying spirit of the legislation and regulations. Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them and may also lead to a conviction under Proceeds of Crime Act 2002 and Money Laundering Regulations 2017. The Sefton Council Anti-Money Laundering policy had been approved by Audit & Governance Committee on 16 December 2020 and there had been no changes in the regulations and no contraventions of the Anti-Money Laundering policy had occurred since then.

7.5 On 23 June 2021, the Committee considered a report submitted by a Member of the Audit and Governance Committee in accordance with Rules 115 and 116 of Chapter 4 of the Constitution on Bootle Strand, and Surrounding Area and the Committee agreed that a response to the issues raised be provided in the form of a presentation by the Executive Director Place at the following meeting. Accordingly, the Executive Director Place provided a comprehensive presentation on Bootle Strand and Surrounding Areas at the meeting held on 15 September 2021. The Presentation slides were provided to Members following the meeting and also placed in the Mod Gov Library.

8.0 Audit and Governance Committee Member Training and Development

To comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) advice that regular briefings and training are essential to keep Audit and Governance Committee Members up-to-date, confident and effective in their role, on 16 March 2022 the Committee gave its approval for a programme of Audit and Governance Committee briefing sessions based on the key competencies outlined by CIPFA which would be held for one hour prior to scheduled meetings of the Audit and Governance Committee. Details of the programme of briefings are set out in Appendix 4 to this report.

The report also indicated that as the Audit and Governance and Treasury Management functions cut across all Council business it would be helpful for 2 courses to be available for all Sefton Councillors – namely (1) Introduction to Audit and Governance and (2) Treasury Management. The Committee therefore gave its approval for both of these courses to

be included in the Member Development Handbook provided to Councillors at the start of the Municipal Year. This is in line with CIPFA code which states:

“The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively”.

CIPFA stresses the importance of Audit and Governance Committee Members being committed to and ‘buying into’ training and development regardless of previous knowledge and skills they had when they joined the committee; ensuring that their knowledge is kept up to date, giving them more confidence and understanding of their role as A&G Committee members and helping to facilitate effective, participation and decision making at meetings.

To further support Audit and Governance Committee Members, a comprehensive library of information is available in the Audit and Governance Committee folder found in the Mod Gov Library, comprising CIPFA information documents and slides from A&G member briefing sessions - accessed via the following link: smbc-modgov-03/ecCatDisplay.aspx?sch=doc&cat=13922

9.0 Outcomes / Achievements

The work undertaken by the Committee has provided additional assurance of the robustness of the Council’s arrangements regarding corporate governance, risk management and internal management of controls. The Committee has added value through the importance placed upon governance issues, risk management, anti-fraud and assurances that key risks are being mitigated.

The introduction of a Work Programme for the Audit and Governance Committee is seen as a positive step in ensuring that the Committee remains on track with its ambitious schedule of work.

The introduction of a programme of Member Briefings to be held prior to each Committee Meeting based on key competencies outlined by CIPFA will help ensure that Members have the necessary skills to carry out their role effectively.

10.0 Conclusion

- 10.1 The Committee has the benefit of being well supported by Council officers including the Section 151 Officer, the Monitoring officer and the Chief Internal Auditor as well as the Council's external auditors.
- 10.2 During 2021/22 the Audit and Governance Committee has consolidated the progress that has been made in previous years in providing robust scrutiny and challenge of the Committees Terms of Reference and in doing so the Committee has continued to have a real and positive contribution to the governance arrangements of the Council.
- 10.3 In order to build on the key achievements of 2021/22 and in looking forward to the Committee's work programme for 2022-2023 the Committee will:
- Continue to review all elements of the governance arrangements associated with Audit and Governance Committee ensuring that best practise is adopted in a timely fashion;
 - Continue to support the Council in managing the risk of fraud and corruption.
 - Continue to support the work of audit.
 - Continue to consider the effectiveness of the Council's risk management arrangements.
 - Continue to provide effective challenge and scrutiny of all areas of the Audit and Governance Terms of Reference giving the appropriate assurances to the Council.
 - Continue to provide Audit and Governance Committee Members with training to help ensure that they remain up-to-date, confident and effective in their role on the Committee.