

AUDIT AND GOVERNANCE COMMITTEE

**MEETING HELD AT THE REMOTE MEETING
ON 16 SEPTEMBER 2020**

PRESENT: Councillor Robinson (in the Chair)
Councillor Roche (Vice-Chair)
Councillors Cluskey, McGinnity, O'Hanlon, Pugh,
John Sayers, Shaw and Sir Ron Watson

ALSO PRESENT: Mr Hassan Rohimun – External Auditor, Ernst and
Young LLP

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Brennan and his Substitute, Councillor Dowd; and from Mr Richard Tyler (External Auditor - Ernst and Young LLP).

2. FORMAT OF MEETING

Councillor Sir Ron Watson raised the issue of the Audit and Governance Committee meeting and other Council meetings being held remotely, querying why this was still necessary and what consultations had taken place regarding meetings being held in this way.

David McCullough - Chief Legal and Democratic Officer, indicated that the decision to hold all Council meetings remotely for the foreseeable future had been taken by the Chief Executive, Dwayne Johnson, following consultation with Margaret Jones – Head of Health and Wellbeing/Director of Public Health, Councillor Ian Maher, Leader of the Council; Stephan Van-Arendsen, Executive Director – Corporate Resources and Customer Services and himself. That decision had been communicated to all political group leaders via email on 25 August 2020 and only one member had indicated dissent at this arrangement.

Mr McCullough concluded that the Council continued to look to improvements in holding remote meetings and the possibility of holding hybrid meetings and the position will be reviewed in line with changes in Government guidelines.

3. DECLARATIONS OF INTEREST

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

4. MINUTES

RESOLVED:

That the minutes of the meeting held on 18 December 2019 be confirmed as a correct record.

5. DRAFT STATEMENT OF ACCOUNTS 2019/2020

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which presented the Draft un-audited Statement of Accounts 2019/20 in advance of the final audited Draft Statement of Accounts to be presented for approval on 18 November 2020.

The Service Manager – Corporate Finance presented this report.

The Committee also considered the report by Ernst and Young LLP, the Council's external auditors, setting out an overview of the 2019/20 audit strategy, including an assessment of key risks and a planned audit strategy in response to those risks.

Mr Hassan Rohimun presented the Ernst and Young report, with particular reference to changes to the plan as a result of the Covid19 pandemic.

Arising from consideration of the reports, comments and questions were raised and relevant officer / external auditor responses provided on the following matters:

- Earmarked reserves – allocation process;
- Southport Market;
- Southport 'Bliss' complex;
- costs to Council in respect of officers on 'gardening leave';
- the Council's extensive artwork collection – proposals for valuation / loaning out, etc.;
- Sandway Homes – update on activity and finances;
- the Council's borrowing commitments and investments;
- pension liability; provisions, contingencies, write-offs and material charges and credits and general balances and reserves;
- the impact and cost to the Council of Covid pandemic; and
- financial liabilities - borrowing/interest rates variances.

RESOLVED: That

- (1) the draft unaudited Statement of Accounts for 2019/20 and feedback to Officers on the issues identified, be noted;
- (2) the timetable for completion of the external audit to be conducted by Ernst and Young LLP be noted; and
- (3) the External Auditors' Planning Report for 2019/20 be noted.

6. ANNUAL REPORT AND OPINION OF THE CHIEF INTERNAL AUDITOR

The Committee considered the report of the Executive Director - Corporate Resources and Customer Services which provided a summary of the work of internal audit during 2019/20 and the Chief Internal Auditor's opinion on the overall control environment operating within the Council during the year. This report was a key requirement of the Public Sector Internal Audit Standards.

The Chief Internal Auditor presented the report, referring to the impact of the Covid pandemic for 2019/20; 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. He indicated that the medium-term impacts of Covid 19 on 2020/2021 were being assessed in regard to operational costs and business grants, in respect of which, there was a need for flexibility and pragmatism.

No comments or questions were raised on the report.

RESOLVED:

That the work of internal audit during 2019/20 and the overall opinion on the control environment of the Council during that period be noted.

7. FINANCIAL PROCEDURE RULES

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which sought approval for revisions to the Financial Procedure Rules set out in Appendix 1 to the report and referral to Council for approval.

The Service Manager - Finance presented the report and responded to comments and questions raised by members.

Concern was raised by two members about the apparent lack of openness and transparency of the Council in respect of decisions taken on exempt reports, which by virtue of being restricted, made it difficult for such decisions to be challenged / 'called-in' by Members.

RESOLVED: That

- (1) the revisions to the Financial Procedure Rules set out in Appendix 1 to the report be approved; and
- (2) the duly amended Financial Procedure Rules be referred to Council for final approval.

8. TREASURY MANAGEMENT POSITION TO JULY 2020

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 31 July 2020. This was the first of the ongoing quarterly monitoring reports provided to the Audit and Governance Committee whose role it is to carry out scrutiny of treasury management policies and practices.

The Service Manager – Finance presented the report and answered questions thereon.

RESOLVED: That

- (1) the Treasury Management update to 31 July 2020 be noted; and
- (2) the effects of decisions taken in pursuit of Treasury Management Strategy and the implications of changes resulting from regulatory, economic and market factors affecting the Council's treasury management activities, be noted.

9. TREASURY MANAGEMENT OUTTURN 2019/20

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 31 March 2020.

The Service Manager - Finance presented the report and answered questions thereon.

RESOLVED: That

- (1) the Treasury Management outturn position to 31 March 2020 be noted; and
- (2) the effects of 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 treasury management activities, be noted.

10. RISK AND AUDIT SERVICE PERFORMANCE

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which provided:

- Details of the performance and key activities of the Risk and Audit Service for the period 7 December 2019 to 6 March 2020 and 7 March 2020 to 6 December 2020;

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- the Internal Audit Charter originally presented to Audit and Governance Committee on 18 March 2020;
- the proposed Internal Audit Plan, originally presented to the Audit and Governance Committee on 18 March 2020; and
- a revised Internal Audit Plan for 2020/21.

The Chief Internal Auditor presented the report indicating that the Revised Audit Plan outlined the priorities for the rest of the year, in response to Covid-19.

RESOLVED: That

- (1) the performance of the Audit and Risk Team for the periods 7 December 2019 to 6 March 2020 and 7 March 2020 to 6 September 2020 be noted;
- (2) the Internal Audit Charter originally presented to the Audit and Governance Committee on 18 March 2020, be approved;
- (3) the proposed Internal Audit Plan originally presented to the Audit and Governance Committee on 18 March 2020 be noted; and
- (4) the revised Internal Audit Plan for 2020/21 be approved.

11. 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 fully updated with five new risks being escalated from the service risk registers (EU Exit), namely:

- Significant impact on Service Delivery for Planning and Sefton LA;
- failure to effectively manage and support the response to a pandemic incident;
- failure to secure external funding for Revenue projects/programmes and service delivery;
- failure to mitigate impacts of Covid19, EU Exit, winter austerity, on the Sefton economy; and
- failure to mitigate risks of or develop and maximise opportunities from EU Exit.

The following two risks had been removed from the Corporate Risk Register:

- Failure to deliver allocated budget and achieve savings targets (ASC); and
- inadequate child and school record system.

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The report indicated that the risks had been re-scored in accordance with the revised assessment guidance included in the Corporate Risk Management Handbook, approved by Committee on 18 December 2019.

The previous Corporate Risk Register report provided to Audit and Governance Committee in March 2020 (which did not take place because it failed to meet quoracy due to the Covid-19 pandemic) was included as an appendix to the report for noting by Members.

The Chief Internal Auditor presented the report and responded to comments and questions thereon.

RESOLVED:

That the contents of the Corporate Risk Register, particularly the nature of the major risks facing the Council and the controls and planned actions in place to mitigate these risks be noted.