
AUDIT COMMITTEE

Monday, 29th November, 2021

Present: Councillor Chris Knight (in the Chair), Councillors Tim O'Kane (Vice Chair), Dominik Allen, Michael Miller, Caroline Montague and Kate Walsh

184 Apologies for Absence, Declarations of Interest, Dispensations and Substitutions

Apologies were submitted on behalf of Joe McIntyre, Deputy Chief Executive.

There were no Declarations of Interest, Dispensations or Substitutions.

185 Minutes of the Last Meeting

The minutes of the last meeting of the Audit Committee held on the 19th July 2021 were submitted for approval as a correct record.

Resolved – That the minutes be received and approved as a correct record.

186 Audit Reports & Key Issues - Progress Report for the Period July 2021 - October 2021

Mark Beard, Head of Audit & Investigations presented a routine report to inform Members of the Audit Reports issued during the period July 2021 – October 2021 and to bring to the attention of the Committee what the key issues were.

The report included a list of the audit areas and any key issues, a summary of which is provided below:

Service/Topic	Audit Assurance Opinion Issued	Comments
Debtors and Debt Recovery	Comprehensive assurance	No issues arising
Environmental Protection	Comprehensive assurance	No issues arising
Taxi Licensing	Comprehensive assurance	No issues arising
Pandemic Procurement	Substantial assurance	<ul style="list-style-type: none">• The audit reinforced the issue of ensuring details of quotes obtained is retained by the Service Area making the purchase. This is particularly apparent where items are being purchased that are below the formal contract levels. The audit found that quotes were retained in the majority of cases but found some instances where these had not been retained.• The audit reminded P-Card holders of an issue relating to the security of the P-Cards.

		<ul style="list-style-type: none"> The audit reminded P-Card holders of the processes that must be followed where certain sets of circumstances occur.
Network Controls	Substantial assurance	<ul style="list-style-type: none"> The audit made a recommendation with regards to the training requirements for staff which is available through the staff e-learning system internally. The audit found some policy information which referred to a former employee but the policy content was correct. It was agreed that the necessary updates would take place.
Business Continuity Planning	Substantial assurance	<ul style="list-style-type: none"> The audit recommended that the Head of Accountancy updated the Business Continuity Plan for his Service Area which had not been done for some time. This Head of Accountancy has completed this work following the audit The audit recommended that the Markets Manager brought the Markets Continuity Plan up to date. The Markets Manager agreed and was working with the Emergency Planning Officer to bring this fully up to date.

Members were reminded that the number of audit reports that were issued between each Committee meeting was subject to variation dependent on the size of the audit and any non-routine audit work, such as investigations, that the Team might be involved in. Therefore, for the purpose of reporting, only the audit reports fully completed, issued and agreed would be included.

Any investigations that might be carried out would not be included as a matter of routine in the report, particularly if they related to a specific individual or individuals.

There was a target of 98% of the audit plan to be completed by the end of the current financial year in terms of audit days completed. As the Audit Team completed timesheets which then fed into the audit plan, it was possible to state the progress to date and the projected end of year position if that date was extrapolated out. Therefore:-

Position as at end of October 2021	=	53.86% of the plan completed
Projected out-turn position for 2021/22	=	92.33% of the plan completed.

The position at the end of October 2021 could be broken down as follows:-

Month	% of the Plan Completed that Month
April 2021	7.54%
May 2021	6.35%
June 2021	6.44%
July 2021	10.09%
August 2021	7.89%
September 2021	6.83%
October 2021	8.72%

The projected out-turn position for the year was based on the 7 month period April 2021 to October 2021 and assumed that the output remained at a constant for the remainder of 2021/22.

Resolved – That the Committee notes the content of this report for informational purposes.

187 Audit Follow-Ups Report for the Period July 2021 - October 2021

Mark Beard, Head of Audit & Investigations presented a report to inform Members of the outcome of routine follow-ups following the previously agreed action plans for completed Audit Reports.

The report covered the period July 2021 – October 2021. Details of the follow-ups carried out and actions implemented were provided as Appendix 1 and, at the meeting, Mr Beard outlined the actions carried out. A list of the topics/service areas covered is as shown below:-

- Fleet Management;
- ICT assets;
- Haworth Art Gallery; and
- Planning delegated reports.

Following the agreement of the recommendations between Management and Internal Audit following the completion of the audit assignment, the area was revisited by Internal Audit and the recommendations were reviewed to ensure they had been implemented as agreed. This process was known as the 'Follow-Up'.

Internal Audit assessed the current position against what had been agreed at the end of the audit. Where no action had been taken by the Service Area, then Internal Audit would question why and issue a revised Action Plan. Part of the control within this process was consideration by Audit Committee of any issues that arose. The Committee had the ability to ask questions of Management in the relative service areas why they had not acted upon the agreed Action Plan. The Committee could also express what its expectations would be with regard to such a problem occurring.

Internal Audit aimed to carry out a Follow Up for each completed audit area within 6 months of completion. However there were a number of exceptions to that aim:-

- i.) Follow-Up in 6 months would be pointless if the recommendations were a low enough priority to allow a longer time frame.
- ii.) Work of the Audit Team did not allow the Follow-Up to be carried out. Although Follow Ups were an important part of the process the Head of Audit & Investigations would always have to weigh this against the need for achieving the Audit Plan and auditing the risks the Council faced.
- iii.) There were no recommendations arising from the original audit.

Whilst it was endeavoured to obtain completed Follow up Action plans at the time they were due for a follow up review to be carried out, this was not always possible due to various reasons. This could be that certain recommendations might require further time for implementation or the suggested action had changed since the time of the review. Regular reminders were issued to ensure completion was made in a reasonable period, however there were a number of follow up action plans that remained outstanding. They had been included within the report to bring this matter to the Committee Members' attention. The

details were provided as Appendix 2 and, at the meeting, Mr Beard highlighted the outstanding issues. A list of the topics/service areas affected is as follows:-

- Asset management/property management income;
- Treasury Management;
- Land Charges;
- External body nominations; and
- Employee safety.

The Chair sought further information on the outstanding follow up actions and Mr Beard provided additional context.

Members also asked a number of detailed questions and responses were provided, as follows:-

- In respect of Fleet Management, the action did not refer to checks on driving licences – *Response*: the report did not mention this issue but the Council's processes were known to be robust. There were nominated employees to check those details on an annual basis or more frequently if a driver had points on his/her licence. For fleet vehicles, where the Council was the insurer, annual driver's licence and vehicle category checks were undertaken. The Council's policy required any penalty points awarded to be declared. Annual checks had always been in place, however the focus of the audit report had been around checks on new starters.
- In respect of the Planning Delegated Reports, there was an issue regarding poor on-line access to applications – *Response*: The current problems had been caused by a software upgrade, which meant that the search facility no longer operated. Discussions had been on-going with the software company and the Planning Service was working to find a solution. Members of the public could still access the information on-line, but needed to telephone the Planning Service first to obtain the unique planning application reference number. The software issue had affected number of authorities not just Hyndburn. An urgent Cabinet decision was due to be considered imminently to waive the Council's Contract Procedure Rules to enable further software to be purchased which would solve the problem. Subject to privacy rules around exempt information, details would be shared with the Members of this Committee after the meeting.
- In connection with Fleet Management, were drug and alcohol tests undertaken? Could random testing be considered for all drivers – *Response*: Drug and alcohol tests were carried out in accordance with the Council's policy. The Head of Audit & Investigations was one of a number of testers and each Council building had trained members of staff available for this role. Fleet vehicle drivers were subject to random testing and other drivers were subject to testing with cause. All drivers were tested automatically after an accident. If a positive result was obtained this was subject to a laboratory check and a urine sample could then be sought. Results were usually available within 24 hours. Drivers were asked if they were on any medication which could affect the result of the test. Widening random testing to all drivers had been considered previously, but management and the unions had agreed to retain the current policy which was thought to be proportionate. The policy was kept under review. Staff were also reminded of the whistleblowing policy and that someone smelling of alcohol could be reported in confidence.
- On the broader issue of vehicle usage, did staff using their own vehicles on business receive any allowance for the required business use insurance – *Response*: There was no such payment made for casual car users. However, if the user was classed as an essential car user, a lump sum payment was made in

addition to the agreed mileage allowances to take into account maintenance, depreciation, contributions to insurance, road tax and servicing.

- In connection with the outstanding Employee Safety action, the Chair asked for this to be chased up and efforts to be made to close this off before the next meeting.
- With regard to the Planning Delegated Reports, applications normally had to be determined within 13 weeks. When the weekly list of applications was uploaded to the Council's website, it was not made sufficiently clear that the majority of applications would be determined by Planning Officers under delegated powers. Only close neighbours were consulted directly, but the wider area could be affected. It would be useful to publicise which applications would be determined by officers – *Response*: The Chair suggested that this matter be raised directly with the Head of Planning and Transportation. Generally, applications would be considered under delegated powers, unless referred to the Planning Committee by a councillor. The submission of an objection by a member of the public did not automatically trigger a referral to the Planning Committee.

Resolved – That the Committee notes the content of this report for informational purposes.

The following item was submitted as urgent business with the Chair's agreement in accordance with Section 100b(4) of the Local Government Act 1972, the reason being that the item could not await until the business of the next meeting, by virtue of the need to comply in a timely manner with the requirements of Regulations 9(2), 10(1) and 16 of The Accounts and Audit Regulations 2015 (as amended by The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020).

188 Statement of Accounts 2019-20

David Donlan, Head of Accountancy, provided a report to inform the Committee on the production of the Annual Accounts and their External Audit and to deal with issues arising from this work. Also present at the meeting for this item were Martin Dyson, Accounts Manager, Hyndburn BC, and Andrew J Smith, Engagement Lead, Grant Thornton.

The report highlighted the need to ensure that the Council complied with its statutory duty to submit the audited accounts for 2019/20 and to publish a copy of the accounts and notice of completion of the audit on the Council's website.

The draft accounts had been completed and published on the Council's website in November 2020. Subsequently, Grant Thornton, the authority's external auditors, had undertaken their on-site audit of the accounts and (at the time of writing this report) their work was close to completion.

The formal audit findings would be presented in a separate report from Grant Thornton elsewhere on the agenda.

The period of public inspection of the accounts had been completed. The Accounts and Audit Regulations 2015 required that the Council must, following the conclusion of the right of public inspection:

- Consider the statement of accounts by way of committee (this committee) or by the members as a whole;
- Approve the statement of accounts by resolution of that committee; and
- Ensure that the statement of accounts is signed and dated by the person presiding at the committee at which the approval is given.

Subject to the Committee's approval and receipt of the auditor's opinion, the accounts would be published on the Council's website.

Once confirmation had been received from Grant Thornton that the audit was complete, a 'Notice of Conclusion of Audit' would be published. It would explain that the audit of the Council's accounts had finished and would state where the accounts and auditor's report could be inspected.

Mr Donlan highlighted some key information contained in the report. The pre-audit draft Statement of Accounts 2019/20 had been published on 19th November 2020 and the period for the public inspection of the accounts had been completed with no questions received. In summary, the Council had achieved an overall revenue underspend of £192k at 31st March 2020. The Council also had undertaken £2.7m capital expenditure in 2019/20.

At the meeting, Mr Donlan confirmed that the external auditors Grant Thornton, had now completed their work. The authority had considered the unadjusted misstatements schedule included in the Audit Findings Report of the external auditors. The Council had not adjusted the financial statements for the misstatements brought to its attention as they were immaterial to the results of the Council and its financial position at the year-end.

Mr Donlan apologised for the delay to the production of the Statement of Accounts, which was no reflection on the efforts of the Accountancy Team who had worked extremely hard. The relevant documents would now be published as soon as possible. Mr Donlan also thanked the external auditors for their work.

Councillor Michael Miller enquired about the overspend of £226k against the Town Centre & Markets heading (see p6 of the Statement of Accounts). Mr Donlan indicated that the overspend was attributable to a loss of rental income. The concessions applied to Market Hall traders was also a contributory factor. From 2020/21, the budget had been amended to reduce the target income from rental, but this had not been the case in 2019/20. In general, income had fallen across both the Market Hall and other Council-owned retail property in the Town Centre.

Councillor Miller also asked about the reasons for overspends in Regeneration Services, 184k, and in Policy and Corporate Governance, £156k. Mr Donlan undertook to look into the reasons and to respond directly to Councillor Miller.

Resolved

- That the Committee:

- (1) Approves the Council's Statement of Accounts for 2019/20, as set out at Appendix A, and authorises its signing as appropriate.**
- (2) Approves the letter of representation, as set out at Appendix B, and authorises its signing as appropriate.**
- (3) Notes that the Audit Findings Report will be considered at Agenda Item 6 on the agenda.**

Andrew J Smith, Engagement Lead, Grant Thornton, provided the Audit Findings Report for the year ended 31st March 2020 in respect of Hyndburn Borough Council. The report included the information on the following:-

- Headlines;
- Financial statements;
- Value for Money;
- Independence and ethics;
- Action plan;
- Follow up of prior year recommendations;
- Audit adjustments; and
- Fees.

Mr Smith confirmed that the auditors were now in a position to sign off their report. He highlighted that the unadjusted misstatements, particularly the figure of £300k in connection with the gain on disposal of capital assets. However, the unadjusted misstatements were not considered to be material. Mr Donlan indicated that the error had occurred in the notes and did not affect the Council's bottom line.

Mr Smith referred to the key findings regarding Value for Money, which highlighted significant risk surrounding the delay to the publication of the draft financial statements, notwithstanding the Government's extension to the usual deadlines, and delays to the production of supporting evidence for the auditors. The principal cause of this was overall capacity within the Finance Team, exacerbated by the effort to support Covid relief operations and the additional financial monitoring arrangements needed.

One material adjusted misstatement had been identified in relation to the restatement of valuation of the Leisure Centre on a depreciated replacement cost (DRC) basis. Mr Donlan reported that previously valuations had been carried out by the District Valuer, but on this occasion a private firm had been used and some mistakes had occurred.

Councillor Kate Walsh asked Mr Smith if he believed that the Accountancy Service had enough staff. Mr Smith indicated that that was the conclusion at the time of the audit. Mr Donlan reported that a post had remained unfilled for around two years, but subsequently Martin Dyson, Accounts Manager, had joined the Team with effect from 1st October 2021. The Service had also been adversely affected during this period by two of the four principal accountants recording long term sickness absence, one due to injuries sustained following a collision with a vehicle and one due to a bereavement. Capacity would be sufficient when these staff members returned to duty, although one individual still remained off work. The use of agency staff had been considered, but this approach was not without its own complications.

The position had improved markedly for last year with the draft Statement of Accounts for 2020/21 having been published only two weeks late. The vast majority of Councils had experienced difficulties in meeting the statutory publication deadlines during the pandemic.

Councillor Michael Miller asked if the £1.988m Decarbonisation Grant expenditure on Hyndburn Leisure Centre had been factored into the valuation figures. Mr Smith reminded Members that this report related to the year ending 31st March 2020, so would not include the decarbonisation figures which related to 2021/22.

Resolved - **That the Committee notes the Audit Findings Report.**

Signed:.....

Date:

Chair of the meeting
At which the minutes were confirmed