

AUDIT AND GOVERNANCE COMMITTEE

MINUTES OF MEETING

Tuesday, 23rd June 2020

PRESENT: Councillor Malcolm (In the Chair); Councillors Gartside, Hussain, Martin, Nickson, Rashid and Donna Williams.
C. Ainsworth (Independent Person) and J. Sanderson (Independent Member).

OFFICERS: D. Wilcock (Assistant Director – Legal, Governance and Workforce/Monitoring Officer), J. Murphy (Chief Finance Officer), Samantha Smith (Deputy Chief Finance Officer), I. Corbridge (Head of Internal Audit), M. Nixon (Risk and Insurance Manager), M. Garraway (Committees and Constitutional Services Manager) and P. Thompson (Committees and Constitutional Services).

ALSO IN ATTENDANCE: K. Murphy and D. Watson (Mazars).

1 APOLOGIES

Apologies for absence were received from Councillors Ali Ahmed and Sultan Ali.

2 MINUTES

Resolved:

That, subject to the replacement of '2018-19' with '2019-2020', in the resolution to minute 41 (External Audit Strategy Memorandum 2020), the Minutes of the meeting of the Audit and Governance Committee, held 9th March 2020, be approved and signed by the Chair as a correct record.

3 DECLARATIONS OF INTEREST

There were no declarations of interests.

4 COUNTER FRAUD PROSECUTIONS AND SANCTIONS POLICY

The Committee considered a report of the Head of Internal Audit which advised Members that the Counter Fraud Prosecution and Sanctions Policy brought together a range of legislation which provided a full range of sanctions, penalties and prosecution available to the Council to support an effective deterrent regime against fraud and corruption. This formed part of the wider Anti-Fraud and Corruption Policy.

The Policy had been updated to include processes to respond to the risk of blue badge fraud and is now presented to the Audit and Governance Committee for review and consideration. This is in the context of their power to review the adequacy of the Anti-Fraud and Corruption Policy, and related policies and procedures, to ensure their application and effectiveness. In this regard the committee was informed that this report would be submitted to the Council's Cabinet, at its meeting on 28th July 2020 for formal approval.

Resolved:

That the Cabinet, at its meeting on 28th July 2020 be recommended to approve the updated Counter Fraud Prosecution and Sanctions Policy.

5 INTERNAL AUDIT QUARTER 4 REPORT 2019/20

The Committee considered a report of the Head of Internal Audit which summarised the work of the Internal Audit team during the fourth quarter of 2019/2020 (January – March 2020). The Internal Audit team had been able to provide either substantial or adequate assurance over the effectiveness of risk management in all the audits completed during the study period with the exception of an audit of the Key Decision process within Adult Care and an audit of a primary school, both of which resulted in limited assurance audit opinions due to weaknesses in various internal controls that were identified. Action plans have been agreed with the appropriate managers to address all the issues identified in a timely manner. Furthermore, the Internal Audit team had completed 96% of their agreed Audit Plan which achieved the agreed target for the year.

The Counter Fraud Team had achieved £47,709 in identifying savings and overpayments during the fourth quarter of 2019/2020 (£220,467 for the year ended 31 March 2020), together with two sanctions comprising of two fines for fraud.

The submitted report enabled the Audit and Governance Committee, in accordance with their work programme and overall responsibility for governance, to scrutinise the Internal Audit team's coverage during the fourth quarter of 2019/2020 of all Services within the Council. The work of Rochdale Borough Council's Internal Audit team was governed by the UK Public Sector Internal Audit Standards.

Resolved:

That the report be noted.

6 INTERNAL AUDIT ANNUAL FRAUD REPORT 2019/20

The Head of Internal Audit provided the Committee with a report summarising the outcome of proactive and reactive anti-fraud and investigation work during 2019/2020. The main focus was the work that was delivered by Internal Audit, which included the Council's Counter Fraud Team. The report outlined future areas of emerging fraud risk and the Council's strategic and operational arrangements for managing these risks. The report also highlighted a number of key issues arising and outcomes achieved through the year ending March 2020. The Committee was reminded that the Council was required to ensure that public money was safeguarded and not lost due to fraud. It was considered important that in current times the Council's resources were best directed to those in the Borough who genuinely need the support. The Committee was further informed of a number of issues and safeguards, which had been put in place to direct the anti-fraud work, in particular;

- Anti-Fraud Report - "Protecting the English Public Purse"
- Annual Fraud and Corruption Survey

- CIPFA Managing the Risk of Fraud
- Fighting Fraud Locally

Resolved:

That the report be noted and welcomed.

7 RISK MANAGEMENT ANNUAL REPORT 2019/20

The Council's Risk Manager presented to Members a report which summarised the Risk Management work undertaken during the 2019/2020 year. The report highlighted the significant progress made to improve the risk register system and provided updated guidance on methods to record and manage Service risks effectively.

It was reported that the Leadership team had maintained regular reviews of the risks to the overarching Council objectives recorded under the 'Corporate Risk Register'. Guidance had been provided throughout the year to assist the enhancement of risk management processes associated with the integration of health and social care services under the Rochdale Locality Plan.

The Committee was informed that the Insurance team during 2019/2020 had successfully handled incoming claims and the placement of the Council's insurance programme cost-effectively. The Annual Report outlined how the team had managed to achieve a total cost-mitigation on settled claims for the year of £2,194,634.64.

Resolved:

That the Risk Management Annual Report 2019/2020 be noted.

8 INTERNAL AUDIT ANNUAL REPORT 2019/20

The Head of Internal Audit submitted a report that summarised the work of the Council's Internal Audit service during 2019/2020 and presented his opinion as to the effectiveness of the Council's overall control environment, governance and risk management for 2019/2020.

The Committee was advised that of the 96% of the planned audit work that was completed during 2019/2020, audit assurance opinions issued on the adequacy of the internal controls were recorded as 'adequate' or 'substantial' in 97% of cases. Two audits were awarded a 'limited' assurance opinion. Whilst these did not relate to programmes of material financial system audit reviews, a potential lack of compliance was identified in relation to the Council's Key Decision processes which focus on access to information for Councillors and members of the public in relation to significant transactions. This could potentially lead to a perceived impairment of overall transparency regarding the proposed procurement processes to Councillors and may be seen to inhibit the potential for challenge or call in through the scrutiny process. A comprehensive action plan was agreed by the relevant management teams to address the issues highlighted in a timely manner.

On this basis the Head of Internal Audit concluded that, with the exception of the lack of compliance with the Council's Key Decision processes, an

adequate level of assurance could be given that the Council's overall framework of governance, risk management and control remains appropriate and has been complied with.

The Committee was informed that the findings and overall opinion of the Head of Internal Audit, detailed in the submitted Annual Report, formed a key element of the assurance provided to Members to enable them to approve the Annual Governance Statement and the Annual Statement of Accounts.

Resolved:

That the report be noted.