

**CORPORATE AFFAIRS AND AUDIT COMMITTEE**

<b>Report title</b>	<b>Raising Concerns with Auditors Protocol</b>
<b>Chief Executive or Director</b>	Strategic Director of Finance, Governance and Support
<b>Date</b>	26 <sup>th</sup> September 2018
<b>Purpose of the report</b>	The purpose of the report is for Members to approve the raising concerns with auditors protocol.
<b>Summary of the report</b>	The protocol sets out the approach both Council Members and members of the public should take when they wish to raise concerns regarding governance issues within the Council by first raising those issues with the statutory officers responsible for the governance processes within the Council before raising those with either internal or external auditors.
<b>If this is a confidential report, which category of exemption(s) from the Schedule 12a of the Local Government Act 1972 applies?</b>	Not applicable.
<b>Decision(s) asked for</b>	It is recommended that Members of the Corporate Affairs and Audit Committee approve the protocol.
<b>Impact of decision(s)</b>	Concerns are being raised with auditors before being raised with statutory officers, who should be given the opportunity to resolve issues in the first instance.
<b>Contact:</b>	John Shiel, Head of Financial Governance and Revenues. <a href="mailto:john_shiel@middlesbrough.gov.uk">john_shiel@middlesbrough.gov.uk</a> Tel: 01642 729548

**What is the purpose of this report?**

1. The purpose of the report is for Members to approve the Raising Concerns with Auditor's Protocol.

**Why is this report necessary?**

2. Auditors instead of statutory officers are being approached with governance concerns in the first instance. This is leading to a misuse of auditors' time at a cost to the Council and a delay in resolving concerns which the statutory officers could address.

## **Report detail**

3. There are increasing instances where Council Members and members of the public are contacting or approaching both the Council's internal and external auditors directly to raise concerns regarding Council business before raising those with the Council officer's charged with maintaining and up-holding good governance within the Council.
4. The purpose of the protocol is not aimed to prevent anyone wanting to raise concerns with the auditors, which they have a right to do, but auditors are being increasingly approached with concerns and issues which have never been raised with Council officers. The auditors themselves are not best placed to address those concerns and it is not within their remit. It should be recognised that the auditors work to high professional standards and as such would not dismiss any issues raised with them. It is not appropriate however that they are considered the first point of contact.
5. If concerns have been raised with Council officers and those concerns have been ignored then it is appropriate for that to be raised with the auditor. However it should also be recognised that a response which does not meet the expectation of the person raising a concern does not constitute a failure to respond or make the response false.
6. The purpose of the protocol is to provide the auditor with tool that allows them to see if issues have been raised with statutory officers first and therefore it is appropriate for them to become involved in the issue.
7. Auditor's time is expensive and the increasing instances of matters being raised with auditors directly has resulted in additional fees which in some cases could have been avoided if the process and approach set out in the protocol were followed.

## **Why is this being recommended?**

8. Issues and concerns regarding governance should be raised in the first instance with the statutory officers responsible for discharging that governance and to high professional standard and integrity. Auditors should only be approached in these circumstances when the approach to officers has been attempted and failed.

## **Other potential decisions and why these have not been recommended**

9. Not applicable.

## **Impact of recommended decision**

10. Approval of the protocol should enable issues to be resolved quicker and more effectively and reduce the time auditors have to spend considering issues which only have to be referred back to Council officers.

## ***Legal***

11. There are no direct legal implications.

## ***Financial***

12. The adoption of the protocol could help to reduce increasing audit fees which result from auditor's time being spent considering issues which should be dealt with by Council officers.

## ***The Mayor's Vision for Middlesbrough***

13. The report forms part of the governance framework that ensures the Council's corporate governance arrangements are fit for purpose, ensuring the Council is best placed to support delivery of the Mayor's vision.

## ***Policy Framework***

14. This report will not result in an amendment to the policy framework.

## ***Wards***

15. There are no specific financial or ward implications arising from this report.

## ***Equality and Diversity***

16. There are no direct implications arising from this report on equality and diversity.

## ***Risk***

17. The current escalation of matters being raised with the audits is putting at risk the Council's and auditor's ability to meet statutory deadlines with regards to financial reporting. It is also delaying and confusing the Council's ability to deal with and rectify genuine concerns being raised in the most effective and timely manner.

## **Actions to be taken to implement the decision(s)**

18. Following approval, the protocol is adopted and used by officers and auditors and the protocol will be published and made available on the Council's website.

## **Appendices**

19. Appendix 1 – Raising Concerns with Auditors Protocol.

## **Background papers**

20. None.

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