

**CORPORATE AFFAIRS AND AUDIT COMMITTEE**

A meeting of the Corporate Affairs and Audit Committee was held on 5 March 2020.

**PRESENT:** Councillors Rathmell, (Chair), J Hobson, Hubbard, Mawston, D Rooney and S Walker

**PRESENT AS OBSERVERS:** J Cain, BBC Local Democracy Reporter

**PRESENT BY INVITATION:** Councillor C Hobson, Executive Member Finance and Governance

**ALSO IN ATTENDANCE:** M Rutter and N Wright, Ernst Young (EY)  
P Jeffrey, R Smith and M Thomas, Veritau

**OFFICERS:** C Benjamin, J Bromiley, A Hoy, D Johnson, S Lightwing, J Weston, A Wilson

**APOLOGIES FOR ABSENCE** were submitted on behalf of Councillor Higgins.

**DECLARATIONS OF INTERESTS**

<b>Name of Member</b>	<b>Type of Interest</b>	<b>Item/Nature of Interest</b>
Councillor Hubbard	Non pecuniary	Agenda Item 6 - Member of Teesside Pension Fund
Councillor D Rooney	Non pecuniary	Agenda Item 6 - Member of Teesside Pension Fund

1 **WELCOME AND EVACUATION PROCEDURE**

The Chair welcomed all present to the meeting and read out the Fire Evacuation Procedure.

**NOTED**

2 **MINUTES - CORPORATE AFFAIRS AND AUDIT COMMITTEE - 6 FEBRUARY 2020**

The minutes of the meeting of the Corporate Affairs and Audit Committee held on 6 February 2020 were taken as read and approved as a correct record.

3 **CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2018/2019**

The External Auditor presented a report summarising the results of work performed on Middlesbrough Council's claims and returns for 2018/2019.

The report set out the findings from certification work on the Housing Benefits Subsidy Claim and the Certification of Teachers' Pensions Return.

Findings from the 2017/2018 certification work in relation to the Housing Benefits Subsidy Claim were detailed in the report, along with information as to whether these issues were also identified in 2018/2019.

The Auditor's fees for the 2018/2019 were included in the report.

**AGREED** that the information provided was received and noted.

4 **MIDDLESBROUGH COUNCIL AUDIT PLANNING REPORT - YEAR ENDED 31 MARCH 2020**

The External Auditor presented the Audit Planning Report, the purpose of which was to provide the Corporate Affairs and Audit Committee with a basis to review the proposed audit approach and scope for the 2019/2020 audit in accordance with the legislation and to ensure

that the audit was aligned with the Committee's service expectations.

The Plan summarised EY's initial assessment of the key risks driving the development of an effective audit for the Council and outlined the planned audit strategy in response to those risks.

The audit risks and areas of focus that were unchanged from previous years included:

- Risk of fraud in revenue and expenditure recognition.
- Misstatements due to fraud or error.
- Valuation of land and buildings.
- Valuation of defined benefit pension liability.
- Financial sustainability.

Two new audit risks and areas of focus were:

- IFRS 16 - Leases.
- Provision of Children's Services.

In response to a query regarding the identified risk of Provision of Children's Services, the Auditor explained that Audit's role was to give an opinion on the Council's arrangements around economy, efficiency and effectiveness. One of the areas that would be considered was reports from the regulators, for example OFSTED.

In relation to IFRS 16 it was confirmed that leases needed to be included in the capital programme going forward.

Materiality had been set at £0.9m, which represented 1.8% of the prior year's gross expenditure on provision of services. Performance materiality had been set at £6.8m, which represented 75% of materiality. All uncorrected misstatements relating to the primary statements greater than £0.45m would be reported to the Committee along with any other misstatements that warranted this action.

The Audit Planning Report covered the work that the External Auditor planned to perform to provide their audit opinion on whether the financial statements of Middlesbrough Council gave a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and a conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

Appendix A of the submitted report included the Audit Fees. The Committee was informed that the Auditor would be meeting with the Section 151 Officer to discuss an increase in the fees and the result of that discussion would be brought back to the Committee.

**AGREED** that the Audit Planning Report for the Year Ended 31 March 2020 was approved.

## 5 **SUSPENSION OF COUNCIL PROCEDURE RULE NO 5 - ORDER OF BUSINESS**

**ORDERED** that, in accordance with Council Procedure Rule No 5, the Committee agreed to vary the order of business to deal with the agenda items in the following order: agenda item 9, 7, 8, 10 and 11.

## 6 **LEGAL SERVICES AND CHILDREN'S SERVICES RELATIONSHIP OVERVIEW**

The Director of Legal and Governance Services provided a briefing, which set out the current arrangements for provision of legal services to Children's Services. The Council had an in-house team of lawyers who provided legal services to a number of service areas, one of which was Children's Services. Prior to receiving the OFSTED report on Children's Social Care Services in late January 2020, Legal Services were aware that the demand for

Children's Services legal support was exceeding the supply of lawyers in the legal team.

The OFSTED report had made a general comment regarding 'inconsistent legal advice' and this finding was accepted by the Local Authority and Legal Services. OFSTED had communicated with the local family court Designated Family Judge Her Honour Judge (HHJ) Matthews QC during their inspection to formulate a view about the legal advice provided to children's services. The Director of Legal and Governance Services subsequently met with HHJ Matthews in order to understand the Court's perspective. HHJ Matthews had explained that her view about inconsistency reflected her experience of the way in which cases were presented to the Court by the Local Authority. On a positive note, in some cases the evidence was presented very well but on other occasions advocates and evidence were not well prepared or presented. The challenge for Legal Services was to respond by making sure that all legal advice and support provided to Children's Services was at least consistently good.

In terms of the demand, in the last year there had been a 36.2% increase in the number of proceedings but no increase in resources in Legal Services. Several members of the team had left and whilst some Locums were in place, the preferred option was for the Council to have its own legal team.

Current staffing within the childcare area of Legal Services included: 3.4 FTE Lawyers (Solicitor/Barrister/Legal Executive) across 4 posts, 2 of which were currently filled by Locums and the other 2 by permanent staff, 1 Legal Assistant (currently filled by a Locum, to be filled by a permanent member of staff from mid-March) and 2 trainee Solicitors. Two Legal Assistants had been recruited recently and would start their employment in April 2020, 1 FTE Lawyer post remained vacant.

Difficulties in recruiting Lawyers to Local Authority Lawyer roles was a national issue and Legal Services had a plan in terms of trying to recruit permanent staff to the team and also secure funding for additional staff to manage the demand from the OFSTED report.

The other challenge was in terms of quality. The Director was confident about the core team but wanted to ensure that the standard was consistently good across the wider team. In order to respond to the issues, Legal Services would be undertaking some Case Reviews. In addition, Legal Services had a direct line of communication with the designated family judge at Middlesbrough County Court in order to identify and address any issues as soon as they arose. A partnership arrangement had also been developed with Durham County Council who had a very experienced team who could provide advice and support.

In response to a query about whether the OFSTED report would make it even more difficult to recruit staff, the Director explained that it was about presenting the situation as a challenge, which was something that had attracted her personally to her present role.

A detailed analysis of the support required from Legal Services against OFSTED's recommendations was set out at paragraph 10 of the submitted report. The Director confirmed that she would be meeting with the DfE Commissioner to discuss Legal Services' strategy.

Responding to a question about advice provided to local planning panels, the Director confirmed that she was satisfied with the quality of advice provided to the Panel. There had been no negative feedback from the Court or Children's Services about the work that went into the Panel. Panels were kept under regular review to ensure that it was always the most appropriate person who attended. It was also clarified that the term 'Lawyer' was used to describe a Barrister, Solicitor or Legal Executive and that there was always a qualified Lawyer on the local planning panels.

The Chair suggested that the Committee should receive regular updates on the Legal Services' action plan to check on progress and resources issues such as recruitment.

**AGREED** as follows that:

1. The information provided was received and noted.
2. The Corporate Affairs and Audit Committee would receive quarterly updates on the Legal Services' Action Plan for support required against the OFSTED Inspection of Children's Social

Care Services issued in January 2020, to be reviewed in twelve months' time.

## 7 INTERNAL AUDIT PROGRESS REPORT

A report of the Chief Executive of Veritau, the Internal Auditor, was presented to provide Members with an update on audit reports and other work completed since the last update to Committee.

The majority of audit reports finalised since the last progress report in December 2019 had been completed under the previous Tees Valley and Audit Assurance Services (TVAAS). Since the date of transfer to Veritau, a review of the 2019/2020 Audit Plan had been undertaken to ensure it continued to align with the Council's priorities and determine the programme of work that could be completed with the available internal audit resource. Following this review, a list of audits to be completed before the end of April 2020 had been agreed.

Annex 1 to the submitted report summarised the work completed by internal audit since the last report. Eight reports had been finalised and were summarised in the annex along with information on the assurance rating provided and the number of actions agreed. The audits that remained to be completed and those that would no longer take place in 2019/2020 were listed in Annex 1. These audits would be considered for inclusion in the 2020/2021 Plan.

In addition, Veritau had agreed to allocate time to support the Council in its response to the Children's Services Ofsted Inspection and it was likely that this work would continue into 2020/2021.

In response to a query in relation to the Highways Inspection Management Audit, a Member asked how many insurance claims were received in 2019. The Auditor agreed to circulate this information to the Committee.

It was highlighted that currently any Audit Reports containing P1 recommendations were circulated to Committee Members for information. The Chair proposed that going forward, Members were welcome to request that any completed audit reports that were of particular interest to them be brought to meetings of the Corporate Affairs and Audit Committee for further discussion. The Internal Auditor agreed to provide Members with copies of completed Audit Plans on request.

### **AGREED that:**

1. the information provided was received and noted.
2. copies of completed Audit Plans would be provided by Veritau on request.
3. Committee Members could request an agenda item for further discussion on any completed audit reports.
4. a response to a query in relation to the number of insurance claims received in 2019 would be circulated to the Committee.

## 8 INTERNAL AUDIT AND COUNTER FRAUD PLAN 2020/21

A report of the Chief Executive of Veritau, the Internal Auditor, was presented to seek Members' approval for the planned programme of internal audit and counter fraud work to be undertaken in 2020/2021.

Annex 1 to the submitted report set out proposed internal audit and counter fraud work for 2020/2021. The planned work was based on an initial assessment of risk undertaken by Veritau alongside discussions with Chief Officers and Members. The Plan was a high-level document with an allocation of days for key areas. The detailed audits to be included within these areas would be agreed with Officers in the coming months. The Plan was flexible and would be updated in the Council's priorities or risks changed during the years.

The total planned audit days for 2020/2021 were 705.

The Council continued to face significant budgetary pressures, increasing demand for

services and a number of other challenges. Internal audit resources were limited and the plan was intended to ensure the available resources were prioritised to those systems which were considered to be most risky and/or which contributed the most to the achievement of the Council's priorities and objectives.

**AGREED** that the Internal Audit and Counter Fraud Plan 2020/2021 was approved.

9 **OVERVIEW OF BUSINESS CONTINUITY ARRANGEMENTS FOR A FLU PANDEMIC**

An overview of Council plans and the potential response to Coronavirus was presented by E Mireku, Consultant in Public Health.

The presentation covered the following points:

- Context.
- Multi-Agency Co-ordination.
- National Response.
- Latest Figures.
- Regional/Local Arrangements.
- Council Structures in place.
- Emergency Management Response Team Plans.
- Flu Pandemic Plan contents: Response for COVID-19.
- Preparations/Actions to date.
- Other internal Council Plans.

In response to a query regarding the forthcoming elections in May 2020, the Strategic Director, Finance, Governance and Support, reassured Members that this was under active consideration. The Strategic Director also confirmed that the Council's Business Continuity Plan included the potential for employees to work agile to help prevent the spread of the virus and keep Council Services running, if necessary.

It was noted that providing additional funding for Local Authorities might be considered by Government as part of the national plan but none had been allocated to date.

**AGREED** that as follows that:

1. the information provided was received and noted.
2. a copy of the presentation would be circulated to all Councillors.