

CORPORATE AFFAIRS AND AUDIT COMMITTEE

A meeting of the Corporate Affairs and Audit Committee was held on Thursday 17 December 2020.

PRESENT: Councillors J Rathmell (Chair), B Hubbard (Vice-Chair), T Higgins, J Hobson, D Rooney and C Wright

PRESENT BY INVITATION: Councillors D Coupe, C Hobson and D McCabe

ALSO IN ATTENDANCE: J Dodsworth (Veritau), P Jeffrey (Internal Auditor) (Veritau), M Rutter (External Auditor) (Ernst Young), R Smith (Internal Auditor) (Veritau) and M Thomas (Internal Auditor) (Veritau)

OFFICERS: C Benjamin, S Bonner, M Jackland, S Lightwing, S Reynolds, C Walker, J Weston, A Wilson and I Wright

APOLOGIES FOR ABSENCE: Councillors T Mawston

20/37 **DECLARATIONS OF INTEREST**

There were no declarations of interest received at this point in the meeting.

20/38 **MINUTES - CORPORATE AFFAIRS AND AUDIT COMMITTEE - 26 NOVEMBER 2020**

The minutes of the Corporate Affairs meeting held on 15 October 2020 were submitted and approved as a correct record.

20/39 **PROCUREMENT POLICIES, PRACTICES AND FINANCIAL REGULATIONS COMPLIANCE**

A report of the Director of Finance was presented to provide a summary of the Council's position with regard to procurement activity over the last financial year including compliance with Standing Orders, practice changes, and contract awards.

As part of the Council's Constitution, Contract Procedure Rules were in place to provide governance in respect of procurement practices. The current financial thresholds were detailed at paragraph 4 of the submitted report. Approval to reduce the lower finance threshold from £15,999 to £10,000 had been granted but had not yet been implemented due to the Covid-19 pandemic. The change would be formalised from 1 January 2021 with the intention of directing more contract opportunities to local suppliers and further challenging value for money.

The monitoring of local commissioning was reported via the balanced scorecard and quarterly information was provided on spend with the local market. From April 2019 to March 2020, the 40% target was achieved in one quarter only. However this target had increased from 25% in the previous year and the other three quarters had achieved 34% and over. The actual spend in monetary terms with Tees Valley suppliers was £24,353,494 which was a slight increase of £3,434,650 on the previous year, with £14,253,655 spent directly with Middlesbrough suppliers. The strategic objective remained in place for 2020/21 with the quarterly target of 40%.

The Buy Boro campaign had been picked up and drive by Regeneration and Marketing in order to support local businesses and inspire residents to spend locally. Procurement would continue to work closely with Regeneration and Marketing to further develop this work.

Quarterly reports of all spend from the financial system against the contract register were completed and used to highlight where Standing Orders might not have been adhered to. This process enabled the Procurement Team to identify any areas of non-compliance and identify any areas for improvement or tendering opportunities.

Purchasing cards continued to be monitored and managed and were subject to an annual Internal Audit review. There were just over 400 active cards at the end of March 2020 which was a considerable reduction since the start of the financial year when there were over 500. Spend continued to be high volume and low risk. During 2019/2020 a total of £8,610,802 was spent via the cards, which would have been the equivalent of processing 33,288 invoices.

A new project focussing on the benefits of an early payment scheme via Business World was under development and if implemented would see a further reduction in the use of purchasing cards.

Within Standing Orders there were circumstances where exemptions could be requested. During 2019/2020, 62 exemptions were approved. This was a minimal increase compared to the previous year when there were 60. A breakdown around the number of exemptions for each service area and why they were approved was contained at paragraph 19 of the submitted report.

There had been 55 contracts awarded during 2019/2020 which were the outcome of 34 quotations and 21 tenders. There were currently 394 contracts contained on the Council's Public Contracts Registers.

AGREED that the information provided was received and noted.

20/40

INTERNAL AUDIT PROGRESS REPORT

The Head of Internal Audit presented a report to provide Members with an update on progress with the delivery of internal audit work and on reports issued and other work completed since the last update report to the Committee.

Appendix 1 to the submitted report summarised the progress made in delivering 2020/21 audit work. Work was underway on a number of audits. Where a specification for the audit had been agreed and fieldwork had commenced, this was noted as 'specification issued'.

The audits listed were those that had been agreed with management as a priority for review during the year and which had either commenced or had been scheduled to take place. Further audits would be added as the year progressed.

All audits continued to be carried out remotely through virtual meetings and sharing information electronically and this had led to some delays in obtaining information. Regular meetings were held with the Section 151 Officer and other key contacts to address any difficulties that arose.

The Audit Team was currently focussing on financial system audits that were not completed in 2019/2020 due to the Covid-19 pandemic.

A summary of the work completed to date and any issues identified was detailed at Appendix 2 to the submitted report. Work completed to date included a number of pieces of grant certification work and other assurance for external providers of funding to the Council.

At the Committee's request a list of audits completed since May 2019 had been compiled and would be circulated via email. The Chair invited all Members to raise any items on the list for further discussion by the Committee.

AGREED that the information provided was received and noted.

20/41

COUNTER FRAUD POLICY UPDATE

A report of the Head of Internal Audit was presented to inform the Committee of changes to two policies that formed part of the Council's counter fraud framework: the Whistleblowing Policy and the Anti-Money Laundering Policy.

Both policies were out of date and required updating to reflect current arrangements and contact details. The new whistleblowing arrangements within the Council would be publicised in 2021.

The Chair of the Committee commented that in addition to the recent updates to the Whistleblowing Policy, junior Officers of the Council should be actively engaged to contribute to further improvements to the policy to make it more user friendly.

AGREED as follows that:

1. The revised Whistleblowing and Anti-Money Laundering Policies were received, approved and noted.
2. A further review of the Whistleblowing Policy and consultation with Officers across the Council would take place.

20/42

UPDATE IN REGARDS TO LEGAL SERVICES' RESPONSE TO OFSTED INSPECTION OF CHILDREN'S SOCIAL CARE SERVICES

A joint report of the Director of Legal and Governance Services and the Executive Member Finance and Governance was presented to provide an update on Legal Services' response to the OFSTED inspection of Children's Social Care Services. This briefing followed the report presented to the Committee on 5 March 2020 that outlined the steps Legal Services would take to improve on the issues raised by OFSTED in respect of Legal, and assistance provided in respect of Children's Social Care Services.

The submitted report detailed the issues in relation to capacity, recruitment to legal posts and how Legal Services had contributed to the improvement journey for Children's Services, both strategically and operationally.

It was highlighted that there had been a vacancy for a Solicitor/Chartered Legal Executive since July 2020 and this post had now been filled. This was a positive move and would reduce the service's spend on agency workers as well as increase capacity.

Feedback on the recruitment process had been really positive and tribute was paid to the Council's Human Resources Service, who had devised alternative ways of advertising in order to recruit.

One of the key improvements highlighted was improved communication across the service and relationships with Children's Services and partner agencies, where new ways of working had been implemented and were progressing well.

The Chair requested that the Committee was kept updated on progress.

AGREED as follows:

1. the information provided was received and noted.
2. the Committee would receive progress updates every 6 to 12 months.

20/43

TEES TRANSPORTER BRIDGE

The Director of Legal and Governance referred to an investigation by Internal Audit which was triggered by a whistleblowing concern. The previously exempt audit report: Transporter Bridge – Whistleblowing, had recently been released by the Monitoring Officer, in the public interest. The Director of Legal and Governance invited the Committee to consider the lessons learned and their wider application to the management of maintenance of the Council's assets.

The Director of Finance provided reassurance that the anonymity of the whistle blower had been preserved, and anyone wishing to bring issues forward could do so with the confidence that confidentiality would be maintained. The Director of Finance thanked the whistle blower for raising concerns and the Internal Audit Team for their report.

The Committee received a presentation from the Director of Finance. Opened in 1911, the Tees Transporter Bridge was Grade II listed and was the longest working transporter bridge in the world and an iconic symbol of the area's engineering and industrial heritage. Middlesbrough Council managed the bridge in line with an agreement with Stockton Borough

Council under section 101 of the Local Government Act 1972. The bridge had been closed since August 2019 to allow for essential investigation and maintenance works.

A whistleblowing report regarding health and safety and the overall maintenance and management regime for the Transporter Bridge was received by the Council's internal auditor at that time: Tees Valley Audit and Assurance Services (TVAAS) on 8 August 2019. An audit investigation started on 28 August and was reported on 23 December 2019. It was agreed with Director of Finance and Governance and Executive Director of Growth and Place, at that time, that the audit would go back 10 years.

There were three key points in terms of arrangements for looking after the bridge for Internal Audit to consider:

1. Did the Council understand the requirements of what was needed to maintain the bridge.
2. Did the Council ensure that the necessary expertise was in place to apply those requirements and be able to maintain the bridge properly.
3. Did the Council undertake the work to understand the situation the bridge was in and what needed to be done to it, and very importantly, keep appropriate records of the outcomes and make evidenced-based maintenance decisions on what needed to be done.

Overall audit found that TVAAS found Cause for Considerable Concern in relation to the areas examined, meaning fundamental failures existed within the control environment and the Council was exposed to unacceptable levels of risk.

TVAAS concluded that most of the allegations made by the whistleblower were accurate. While no evidence was found that repeated requests for maintenance or requests for the bridge to be closed were refused, it identified a mostly passive and ineffective management approach to the Transporter Bridge over the previous decade.

It found that the lack of specifically qualified or trained bridge or structural engineering staff engaged by the Council to manage the facility ultimately led to the deterioration of the structure to the extent that it presented a health and safety risk.

There was a lack of adequate maintenance programmes or appropriate inspection regimes in place to meet Health and Safety regulations and best practice. While some inspections had been carried out, there was no evidence to support that any of the recommended actions formed the basis of any management reports.

There was limited evidence of management reporting and it was difficult to establish senior management's role or level of oversight. There was no evidence of reporting to wider stakeholders, including Stockton Borough Council.

Ten findings were set out by TVAAS, with associated management actions, seven findings were Priority 1 (a fundamental risk requiring immediate action) and three were Priority 2 (a significant risk requiring timely action). The details of the agreed management actions and their priority, were set out in the presentation.

To put this into context, only three Priority 1 findings were set out across a total of 70+ internal audits across the 2017/18 and 2018/19 financial years. As such, this was the most serious report received by the Council from its internal auditor for many years.

TVAAS noted some improvements to working practices since the transfer of bridge management from Transport and Infrastructure to Property and Commercial Services. Since the audit investigation, Property and Commercial Services had been taking forward works to allow the agreed management actions to be completed and to propose options for the safe reopening of the bridge and its future operating model.

The target date for completion of all actions had moved from 31/03/20 to 31/03/21 with the agreement of the Council's current internal auditor, Veritau, to account for the time taken to conduct, analyse and report structural investigations, a process which had been interrupted by the Covid-19 pandemic. During this period, the health and safety risks outlined in the report had been mitigated by the continued closure of the bridge and temporary works to ensure its structural integrity.

The Director of Finance outlined the progress since the audit investigation in terms of management oversight and policy, procedures and associated works. A report would be presented to the Executive on 22 December 2020 outlining options for the future operating model for the bridge and associated capital and running costs.

It was proposed that the Committee approve a review of current arrangements within the Council to provide assurance that the situation in respect of the Transporter Bridge is unique and other such instances would not occur in the future. The Health and Safety Manager presented a detailed briefing on these matters to the Health and Safety Ad Hoc Scrutiny Panel on 3 November 2020 and would continue to provide an annual assurance report to the Corporate Affairs and Audit Committee in February 2021.

The actions identified in the TVAAS audit investigation would be completed by March 2021 to ensure robust governance arrangements were implemented in line with the agreed operating model.

Finally, Internal Audit, would be commissioned to review arrangements in respect of the Transporter Bridge after six months to provide assurance the governance arrangements were embedded and effective.

Members raised and discussed several issues including: the value of the Transporter Bridge on the Balance Sheet in the Council's Statement of Accounts, the anticipated report on the full structural survey of the Bridge, the Council's Change Programme and Senior Management Reviews, and communication processes within the Council. Officers provided clarification on the points raised and undertook to forward information in relation to the value of the Transporter Bridge, and the name of the Manager of Transport and Infrastructure at the Council at the time of the audit report. The Chair of the Council's Corporate Health and Safety Committee also expressed his view that both Committees needed to work together to ensure that the Council's Health and Safety management system was effective.

AGREED as follows:

1. The Council would commence review of arrangements to assess conditions of Middlesbrough Council owned buildings and structures and plan and implement appropriate works.
2. The actions identified in the TVAAS audit investigation would be completed by March 2021 to ensure robust governance arrangements were implemented in line with the agreed operating model.
3. Internal Audit was commissioned to review arrangements in respect of the Transporter Bridge after six months to provide assurance the governance arrangements were embedded and effective.
4. Internal Audit was commissioned to review the Change Programme and associated Senior Management Reviews over the last five years to assess the impact of the Programme and the savings achieved.
5. The Monitoring Officer would give consideration to introducing a communications policy to ensure there was a structure in place for Members to access information and provide details to the Committee.

20/44

ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED

There were no other urgent items.