

# **AUDIT COMMITTEE**

# **ANNUAL REPORT**

# **2019/2020**

## **Foreword by the Chair of the Audit Committee**

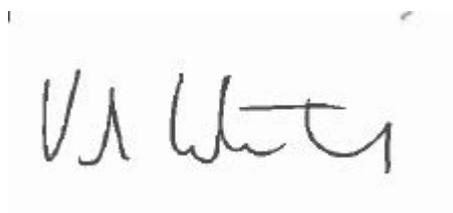
I am pleased to present the first annual report of the Council's Audit Committee.

It has certainly been a busy year. In the last 12 months we have reviewed and updated our terms of reference and work programme, closely monitored the Council's progress in improving and finalising its statement of accounts, held our first web cast meeting and throughout maintained oversight over the Council's governance, risk management and internal control frameworks.

I am particularly delighted to welcome a new Independent Person to the Audit Committee. We have already felt the benefits of Charlotte's knowledge and expertise and I look forward to working with her in the future.

Looking forward to 2020/21, the Council faces some big financial challenges and the Committee will continue to diligently discharge its responsibilities and strive to maintain its pivotal role in good governance. With this in mind, we will be self-assessing ourselves against best practice and will agree an action plan to address any areas for improvement.

Finally, I would like to take this opportunity to thank the Committee Members and Council officers that have supported the Audit Committee over the last year. Their professionalism and integrity are highly valued, and they have made a challenging role that much easier.

A handwritten signature in black ink, appearing to read 'Val Whitehead', is centered on a white rectangular background.

**Councillor Val Whitehead, Chair of the Audit Committee**

## **Introduction**

Audit Committees are a key component of the Council's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.

The Audit committee is required, by its terms of reference, to submit an annual report to Council outlining the Audit Committee's activities over the previous year. This report summaries the work of the Audit Committee during 2019/2020 and how it has undertaken its responsibilities for reviewing the key areas within its remit. Specifically, these include:

- Internal Audit;
- Risk Management;
- Corporate Governance;
- Internal Control
- External Audit
- Counter Fraud; and
- Financial reporting and treasury management.

## **Terms of reference**

The terms of reference for the Audit Committee are reviewed each year to ensure they represent current regulations and best practice as outlined within guidance for audit committees from the Chartered Institute of Public Finance and Accountability and are attached at **Appendix A**.

The terms of reference were initially reviewed by the Audit Committee at its first meeting of the municipal year on the 23<sup>rd</sup> July 2019. They were last amended at the Audit Committee meeting of 14<sup>th</sup> November, following the appointment of the independent person onto the Committee. The terms of reference were approved by the General Purposes Committee on the 25<sup>th</sup> February 2020 under their delegated powers.

## **Committee Information**

### **Audit Committee Membership**

Eight elected Members serve on the committee plus the Independent Member:

- Councillor Val Whitehead (Chair)
- Councillor Abdal Ullah (Vice-Chair)
- Councillor Mufeedah Bustin (Member) \*
- Councillor Marc Francis (Member)
- Councillor Ehtasham Haque (Member)
- Councillor Ayas Miah (Member)
- Councillor Kyrsten Perry (Member)

- Councillor Andrew Wood (Member)
- Charlotte Webster (Independent Member)

There are four substitute members

- Councillor Mohammed Ahab Hossain (Substitute)
- Councillor Gabriela Salva-Macallan (Substitute)\*
- Councillor Bex White (Substitute)\*
- Councillor Peter Golds (Substitute)

The substitute members identified with a \*, have substituted for Councillor Mufeedah Bustin, who was on maternity leave, with each councillor covering one meeting respectively.

### **Audit Committee Meetings**

The Committee has met on four occasions during the year with meeting dates structured around the regular receipt of annual assurance reports, external and internal audit cycles and statutory requirements around the production of the Accounts and the Annual Governance Statement.

The frequency of meetings ensures the Committee can fulfil its responsibilities in an efficient and effective way. The number of meetings are aligned to the recommendations made by CIFPA.

The July meeting of the Committee is particularly important, as the Annual Statement of Accounts and the agreement of the Annual Governance Statement takes place. However, this year due to the Annual Accounts not being ready for sign off, members of the committee have had an increased opportunity to input into the Annual Governance Statement.

### **Committee Business**

A list of reports considered by the Audit Committee can be found in **Appendix B**. The main outcomes of the committee's work in relation to its core functions can be summarised as follows:

#### **Internal Control**

The Committee:

- Received and considered the Head of Internal Audit's annual opinion on the Council's governance, risk management and internal control environment for 2018/19.
- Received and considered regular reports from the Head of Internal Audit on audits of internal controls, risk management and governance. The reports also provided

monitoring information on the implementation of agreed audit recommendations. Members specifically considered the following limited or nil assurance reports raised by the Head of Internal Audit during in year:

- Management and Control for Deprivation of Liberty Safeguards (DoLS)
  - Guardian Angels School
  - Client Monitoring of Fire Safety in Residential Dwellings
  - Management and Control of Electronic Parking Income
  - Request for Quotation (RFQ) system
  - Debtors Systems Audit
  - Right to Work Compliance
  - Quality Assurance Systems in Children's social care
  - Efficiency Savings
  - Purchase Cards
  - Risk Management
  - No Recourse to Public Funds (Children's)
- Requested the attendance of senior officers responsible for these areas to attend Audit Committee meetings to explain the remedial action taken and if recommendations made by the Internal Audit team had been implemented.
  - Continued to provide support to the Internal Audit Team to ensure management was responsive to recommendations made and agreed.

## **Risk Management**

The Committee:

- Received and considered quarterly updates on Risk Management activity across the Council.
- Received and considered quarterly updates on the Corporate Risk Register.
- Received and considered the Annual Risk Management report (including the Risk Management Strategy).

## **Anti-Fraud**

The Committee:

- Received and considered quarterly updates on the Fraud investigations undertaken by the Corporate Fraud team. The team investigated over 500 cases of alleged fraud.
- The Committee also received a presentation from the National Fraud Initiative and explanation on how data is matched to identify potential fraud.
- Reviewed the Anti-Bribery Policy.

## **Financial Reporting**

The Committee:

- Received and considered the Council's Treasury Management Strategy and performance.
- Received regular reports on the progress to revise and finalise the Council's 2018/2019 Statement of Accounts.

## **Internal Audit**

The Committee:

- Agreed the Internal Audit Plan for 2019/20.
- Received and approved the Internal Audit and Anti-Fraud Charter
- Received and considered information on the performance and effectiveness of the Internal Audit Team.

## **External Audit**

The Committee:

- Received and considered the External Audit Plan.
- Received and considered reports on the External Auditor's progress against the agreed plan.

## **Governance**

The Committee:

- Overseen the production of the 2018/19 Annual Governance Statement (Final to be agreed)

## **Approval of 2018/19 Annual Financial Accounts**

The Annual Financial Accounts are signed off by the Committee in July each year. However, the Financial Accounts for 2018/19 were delayed due to issues regarding the accounting methods used to account and reconcile entries on the journal. The methodology used has been scrutinised by the external auditors and issues have been worked through to ensure that going forward the Council has robust accounting procedures in place. The Chair and Committee members have received regular updates on the progress being made and are pleased to report the Annual Financial Accounts for 2018/19 were signed off by the Committee at its May 2020 meeting.

## **Approval of 2018/19 Annual Governance Statement**

The draft Annual Governance statement has come to Committee on several occasions and has been updated taking into account the views of Members. The Chief Executive, Mr Will Tuckley attended the Committee's May 2020 meeting, when he presented Annual Governance Statement and commented upon the overall health and governance culture in the organisation. It is anticipated the Annual Governance Statement for 2018/19 will be agreed at the July 2020 meeting.

## **Training and Development**

Training and development of members has been provided to Members of the Audit Committee since its inception. There is an induction session at the beginning of the municipal year which informs members of their roles and responsibilities. Further training, on the financial accounts has also been provided prior to the commencement of key meetings.

However, it is recognised training and development of members is required throughout the year. Hence going forward it is envisaged training will cover the following aspects:

<b>Meeting</b>	<b>Training and Development</b>
June	Annual Induction to Audit Committee *mandatory for members of the Audit Committee but also open to all Members
July	Annual Accounts
November	Audit & Fraud
January	Treasury Management
April	Risk Management

## **Conclusions**

In conclusion, the Audit Committee has demonstrated that it has added value to the Council's overall governance, risk management and internal control framework.

Throughout 2020-21, the Audit Committee plans to continue to require senior officers to attend meetings to aid its understanding of the services and issues identified through the audit process, but mostly to ensure that internal and external recommendations are given the priority required and implemented in a timely basis.

The Audit Committee will continue to monitor the action taken to produce the Annual Financial Accounts to ensure the new processes and procedures are implemented to improve the standards of accounts going forward.

## Audit Committee

<b>Summary Description:</b>	
<ol style="list-style-type: none"> <li>1. The Audit Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.</li> <li>2. The purpose of the Audit Committee is to provide independent assurance to the Members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.</li> </ol>	
<b>Membership:</b> 8 Councillors. The Audit Committee shall not be chaired by a Member of the Executive.	
<b>Independent Person:</b> The Audit Committee may choose to appoint an Independent Person (IP) to advise and support the Committee. The IP will not be a member of the Audit Committee but would be entitled to attend all the meetings and associated training of the Committee. The IP can receive and comment on any reports submitted to the Committee, including restricted agenda items.	
<b>Functions</b>	<b>Delegation of Functions</b>
<u>Governance, Risk and Control</u>	None
1. To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.	
2. To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.	None
3. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.	None
4. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.	None
5. To monitor the effective development and operation of risk management in the Council.	None
6. To monitor progress in addressing risk-related issues reported	None

to the committee.	
7. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.	None
8. To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.	None
9. To monitor the counter-fraud strategy, actions and resources.	None
10. To review the governance and assurance arrangements for significant partnerships or collaborations.	None
<u>Internal audit</u>	None
11. To approve the internal audit charter.	
12. To review proposals made in relation to the appointment of external providers of internal audit services.	None
13. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.	None
14. To approve significant interim changes to the risk-based internal audit plan and resource requirements.	None
15. To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.	None
16. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit. To approve and periodically review safeguards to limit such impairments.	None
17. To consider reports from the Head of Internal Audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include: <ul style="list-style-type: none"> <li>a. Updates on the work of internal audit including key findings, issues of concern and management actions as a result of internal audit work.</li> <li>b. Regular reports on the results of the Quality Assurance and Improvement Programme (QAIP).</li> <li>c. Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and the associated Local Government Application Note (LGAN) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) considering whether the non-conformance is significant enough that it must be included in the AGS.</li> </ul>	None
18. To consider the Head of Internal Audit's annual report, including: <ul style="list-style-type: none"> <li>a. The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that</li> </ul>	None

<p>support the statement.</p> <p>b. The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.</p>	
19.To consider summaries of specific internal audit reports as requested.	None
20.To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.	None
21.To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every five years.	None
22.To consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations.	None
23.To provide free and unfettered access to the Audit Committee chair for the Head of Internal Audit, including the opportunity for a private meeting with the committee.	None
24.To commission work from internal audit.	None
<u>External audit</u>	None
25.To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA) or the authority's auditor panel as appropriate.	
26.To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.	None
27.To consider specific reports as agreed with the external auditor.	None
28.To comment on the scope and depth of external audit work and to ensure it gives value for money.	None
29.To commission work from external audit.	None
30.To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.	None
<u>Financial reporting</u>	None
31.To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.	
32.To consider the external auditor's report to those charged with	None

governance on issues arising from the audit of the accounts.	
<u>Accountability arrangements</u>	None
33. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.	
34. To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.	None
35. To publish an annual report on the work of the committee.	None
<b>Quorum:</b> 3 Members of the Committee	

Appendix B

AUDIT COMMITTEE AGENDA ITEMS – FROM JULY 2019 TO MAY 2020

Reports	23 <sup>rd</sup> July 2019	14 <sup>th</sup> November 2019	30 <sup>th</sup> January 2020	13th May 2020
Annual Financial Accounts 2018/19	✓	✓	✓	✓
Annual Governance Statement 2018/19	✓	✓		✓
Annual Internal Audit and Counter-Fraud Strategy Plan				✓
Annual Review of Anti-Bribery Policy		✓		
Annual Risk Management Report 2018/19		✓		
Annual Self-Assessment and report of the Audit Committee				
Audit Committee Terms of Reference	✓	✓		
Head of Internal Audit Annual report 2018/19	✓	✓		
Internal Audit & Anti-Fraud Report Q1,Q2,Q3 & Q4	✓	✓	✓	
Internal Audit Charter			✓	
Review of Code of Corporate Governance				Deferred 2020/21
Risk Management Report Q1, Q2, Q3 & Q4	✓	✓	✓	
Risk Management Strategy				✓
Treasury Management Report Q1,Q2,Q3 & Q4	✓	✓	✓	
Whistleblowing Report				Deferred to 2020/21