

# **AUDIT COMMITTEE ANNUAL REPORT 2020/2021**

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

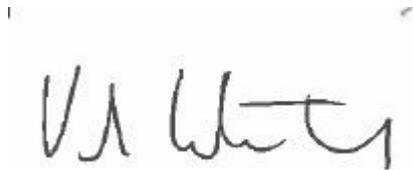
This has been a year like no other for Councillors and their support teams. I would like to thank our team for their work in making it possible for us to carry on meeting our objectives.

We have made some progress in meeting CIPFA guidance by carrying out our own self-assessment process and have an improvement plan in place for next year.

We have continued to receive reports from Internal Audit and have reviewed Fraud and Risk Management. I would like to thank the teams who continued to do this work throughout the pandemic restrictions.

We have worked with External Audit and the Finance team in order to not only bring the outstanding Accounts to a close but to set up systems which will allow swift and accurate finance reporting for the future.

Lastly, I would like to thank my fellow Councillors for continuing to scrutinise all the Council does. I have not been able to see you in person this year, but I sincerely hope next year will allow us to meet again in the Town Hall.

A handwritten signature in black ink, appearing to read 'Val Whitehead', is positioned below the main text of the foreword.

**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 2020/2021 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 Accountancy (CIPFA) and are attached at **Appendix A**.

The terms of reference are reviewed by the Audit Committee on an annual basis at its first meeting of the municipal year, usually at the July meeting. However due to the Covid-19 pandemic, the Annual General meeting (AGM) of the Council did not take place until the end of September 2020. As such the terms of reference were presented to the Audit Committee on the 12<sup>th</sup> November 2020 meeting, with three meetings scheduled for the municipal year. Namely, 12<sup>th</sup> November 2020, 28<sup>th</sup> January, and 7<sup>th</sup> April 2021.

There was a meeting held on the 21<sup>st</sup> July 2020, which formed part of the 2019/2020 municipal year, however will be referred to in this Annual report so to ensure all meetings that took place are reflected on, since the last report to Council.

## **Committee Information**

### **Audit Committee Membership 2019/20 – for July 2020 meeting**

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

- 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 Person)

There are four substitute members

- Councillor Mohammed Ahbab 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 Membership 2020/21**

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

- Councillor Val Whitehead (Chair)
- Councillor David Edgar (Vice-Chair)
- Councillor Marc Francis (Member)
- Councillor Ayas Miah (Member)
- Councillor Puru Miah (Member)
- Councillor Kyrsten Perry (Member)
- Councillor Dan Tomlinson (Member)
- Councillor Andrew Wood (Member)
- Charlotte Webster (Independent Person)

There are four substitute members

- Councillor Kevin Brady (Substitute)
- Councillor Abdal Ullah (Substitute)
- Councillor Bex White (Substitute)
- Councillor Peter Golds (Substitute)

## **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 due to the extensive work required to correct the 2018/19 and 2019/20 set of accounts, the Committee has received regular updates on the progress made. Members have had the opportunity to probe the accounts and comment on the Annual Governance Statement which accompanies the accounts.

## **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 2019/20.
- 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:
  - IT Business Continuity and Resilience
  - Financial Delegations
  - Financial Safeguarding for Service Users with Learning Disability
  - Monitoring of Domiciliary Care Contracts
  - Corporate Governance
  - IR35 – Management and Control of Off Payroll Engagement
  - Back up Schedules and Protection
  - Control and Monitoring of Parking Permits
  - Financial Assessments for Residential and Non-Residential Support
  - Capital Programme Governance

- Management of Acquisition of Properties for Temporary Accommodation
  - Corporate Governance
  - PCI and DSS Compliance
  - Management of Appointeeships and Deputyships
  - Cyber and Network Security
  - Treasury Management
  - IT Remote Working
  - Debtors and Income Recovery
  - Local Community Fund
  - General Ledger
  - New Town Hall
  - Pension's Administration
  - Staff Declarations of Interest
  - Housing and Allocations
- 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 Risk Management Strategy.
- Deep-dived Directorate Risk registers – Place & Resources

## **Anti-Fraud**

The Committee:

- Received and considered quarterly updates on the Fraud investigations undertaken by the Corporate Fraud team. The team investigated over 250 cases of alleged fraud.
- Reviewed the Anti-Bribery Policy, Whistleblowing Policy and Anti-Fraud and Corruption Strategy.

## **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 and 2019/20 Statement of Accounts.

### **Internal Audit:**

The Committee:

- Agreed the Internal Audit Plan for 2020/21.
- 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:

- Oversaw the production of the 2018/19 and 2019/20 Annual Governance Statements
- Held the Mayor, Corporate Leadership Team and Senior Managers to account in relation to governance and performance issues within the organisation.

### **Approval of 2018/19 & 2019/20 Annual Financial Accounts**

The Annual Financial Accounts are signed off by the Committee in July each year. However, the Financial Accounts for 2018/19 and 2019/20 were delayed due to issues regarding the accounting procedures and records. 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 and 2019/20 were approved by the Committee at its April 2021 meeting.

## Approval of 2018/19 and 2019/20 Annual Governance Statements

The 2018/19 draft Annual Governance statement was presented to Committee on several occasions and was updated taking into account the views of Members. The Chief Executive Mr Will Tuckley attended the Committee's April and July 2020 meetings, when he presented Annual Governance Statement and commented upon the overall health and governance culture in the organisation. The final version of the Annual Governance Statement for 2018/19 was agreed by the Committee at the July 2020 meeting. The Committee subsequently received and agreed the 2019/20 Annual Governance Statement at its meeting in January 2021.

## Training and Development

Training and development of members has been provided to Members of the Audit Committee. Members have received specific training on their roles and responsibilities with training provided on key areas such as financial accounting and risk management. Training sessions are held approximately a week before the main meeting of the Committee. Below are the dates of the training sessions held and the topics covered:

<b>Audit Training Date</b>	<b>Audit Committee Mtg Date</b>	<b>Training on</b>
Monday, 9 <sup>th</sup> November 2020	Thursday, 12 <sup>th</sup> November 2020	Treasury Management
Thursday, 14 <sup>th</sup> January 2021	Thursday, 28 <sup>th</sup> January 2021	Statement of Accounts; Accounting Policies
Wednesday, 31 <sup>st</sup> March 2021	Wednesday, 7 <sup>th</sup> April 2021	Risk Management
	Carry forward to new municipal year.	Internal Audit (to include mention of External Audit) and Anti-Fraud

## Audit Committee Effectiveness – Self Assessment

In 2021 the Audit Committee considered its own performance by means of a self-assessment; eight members of the Committee responded. In summary, the self-assessment identified the following positive areas of performance.

Members of the Committee:

- Fully understand their role and expected contribution.
- Believe the committee is the right size with a good mix of knowledge, skills and experience.

- Have received sufficient induction and training.
- Understood and recognised the role and benefits of the Independent Person.
- Have held sufficient, appropriate length meetings.
- Have received timely and accurate reports.
- Have recorded decisions and communicated them appropriately.
- Have recorded and tracked actions arising from the meetings.
- Believe the committee operates in an atmosphere of trust and openness.
- Have held effective meetings
- Maintain a professional, constructive relationship with Internal and External Audit.
- Have discharged the Committee's responsibilities as set out in the Terms of Reference.
- Have reviewed outcomes from Internal Audit's activity and challenged management on progress.
- Have reviewed and challenged risk management.
- Have discussed external audit results and monitored managements progress with actions.

The following areas were identified for improvement:

- Be more proactive in consider emerging issues.
- Be more proactive in reviewing and providing feedback on the performance of Internal and External Audit.
- To meet privately with Internal and External Audit, at least annually.

## **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 2021-22, the Audit Committee will continue to require senior officers to attend meetings to aid its understanding of the services and issues identified through the audit process, but also to ensure that internal and external recommendations are given the priority required and implemented in a timely basis.

In addition, the Audit Committee will meet privately with Internal Audit and External Audit (at least once during 21/22) will review the performance of Internal Audit and External Audit and give feedback to both, and will explore the inclusion of a horizon scanning item to the Committee's agenda to identify emerging issues that might require assurance and/or review by the Committee.

## 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 to the committee.	None

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 support the statement.</li> </ul>	None

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.	
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 governance on issues arising from the audit of the accounts.	None

<u>Accountability arrangements</u>  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.	None
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	

## AUDIT COMMITTEE AGENDA ITEMS – FROM JULY 2020 TO MAY 2021

Reports	21 <sup>st</sup> July 2020	12 <sup>th</sup> November 2020	28 <sup>th</sup> January 2021	7 <sup>th</sup> April 2021
Annual Financial Accounts 2018/19 & 2019/20 – progress reports	✓	✓	✓	✓
Annual Governance Statement 2018/19 & 2019/20	✓ (2018/19)		✓ (2019/20)	
Annual Insurance Report 2019-2022	✓			
Annual Internal Audit and Counter-Fraud Strategy Plan	✓		✓ (Update of Anti-Fraud Strategy)	
Annual Review of Anti-Bribery Policy			✓	
Annual Risk Management Report 2018/19				
Annual Self-Assessment and report of the Audit Committee 2019/20 & 2020/21	✓ (2019/20)			✓ (2020/21)
Anti-Money Laundering Policy Report 2019-2020				✓
Audit Committee Terms of Reference		✓		
External Audit Report – Year end 31/03/20		✓		
Head of Internal Audit Annual report 2019/20	✓			
Independent Review of Accounts Closure 2018/20 and Improvement Plan		✓	✓	
Internal Audit & Anti-Fraud Report Q1, Q2, Q3 & Q4	✓	✓	✓	✓
Internal Audit Charter				✓
Review of Code of Corporate Governance	✓ (2019/20)			✓ (2020/21)
RIPA Policy 2020				✓
Risk Management Report Q1, Q2, Q3 & Q4	✓	✓	✓ (plus Place Directorate Risk	

			Register)	
Risk Management Strategy	✓			
Treasury Management Mid-Year Report 2020-21		✓		
Treasury Management Report 2019/20		✓		
Treasury Management Strategy Statement, Investment Strategy & Capital Strategy report 2020-21			✓	
Whistleblowing Report	✓ (2019/20)		✓ (Update of Whistleblowing Strategy)	✓ (2020/21)