

AUDIT & GOVERNANCE COMMITTEE

3 June 2020

ANNUAL REPORT OF THE AUDIT & GOVERNANCE COMMITTEE 2019/20

EXEMPT INFORMATION

None.

PURPOSE

This report presents the proposed Annual Report of the Audit & Governance Committee 2019/20 and seeks the Audit & Governance Committee's endorsement prior to its submission to Council.

RECOMMENDATIONS

- 1. That the proposed Annual Report of the Audit Committee 2019/20 be endorsed and that the Chair of the Audit & Governance Committee circulate the report to Council.**

EXECUTIVE SUMMARY

Audit Committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance.

CIPFA recommend that Audit Committee's produce an annual report to promote the role and purpose of the Committee, account for the Committee's performance, evaluate whether the Committee is continuing to meet its terms of reference and document how the Committee adds value. The Audit & Governance Committee's annual report fulfilling these requirements is set out at **Appendix 1**.

RESOURCE IMPLICATIONS

None.

LEGAL/RISK IMPLICATIONS BACKGROUND

The Council is not obliged by law to appoint an Audit & Governance Committee, however, this has been done in line with good governance practice and CIPFA guidance.

EQUALITIES IMPLICATIONS

None.

SUSTAINABILITY IMPLICATIONS

None.

BACKGROUND INFORMATION

None.

REPORT AUTHOR

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LIST OF BACKGROUND PAPERS

- Audit Committees in Local Authorities and Police (2018), CIPFA
- Audit Committee agendas, minutes and reports for the Committee year 2019/20.

APPENDICES

Appendix 1 – Annual Report of the Audit & Governance Committee 2019/20

Annual Report of the Audit & Governance Committee 2019/20

1. Introduction from the Chair of the Audit Committee

I am pleased to present the Annual Report of the Audit Committee for the 2019/20 Committee year.

It is important that the Council is able to demonstrate to our residents, stakeholders and partners as well as other elected members, the significance of the Audit & Governance Committee's role and the positive contribution it makes to the Council's overall governance arrangements.

I would like to remind everyone that Audit Committee meetings are open to members of the public and for 2020/21 will now be held remotely via Teams 'Live' Events. I would encourage all to 'log on' and see our work in action.

This year has been one of change. We sadly said goodbye to Councillor Greatorex who passed away in October 2019. Councillor Greatorex made an invaluable contribution to the work of the Committee. In December 2019, we welcomed our new committee member, Councillor Pritchard, who joined us following the December by-election.

While our External Auditor remained the same (Grant Thornton), we welcomed a new Lead engagement team during 2019/20. We also welcomed a new Head of Audit & Governance, who has since implemented a co-sourced arrangement for Internal Audit with current delivery partner HW Controls Assurance Ltd.

Both audit providers have brought a fresh approach to these functions and have brought much added value to the work that they do. The Committee has appreciated the support and assurance they have given.

Looking ahead to 2020/21, while the early programme of our work has been impacted by restrictions imposed on us by the Covid-19 crisis, the Committee has continued to operate remotely and our first remote meeting is due to place in July 2020. For 2020/21, we have an extensive programme of work planned, which will include seeking continuing assurance against the Council's response to Covid-19, the significant financial challenges facing us, as well as continuing to ensure the Council's overall governance framework remains fit for purpose.

Finally, I would like to take this opportunity to thank all those members and officers who have contributed to the work of the Audit & Governance Committee over the last 12 months.

**Councillor M Summers,
Chair of the Audit & Governance Committee 2019/20
3 June 2020**

2. Terms of Reference

The terms of reference, which the Committee operated to during 2019/20, is detailed at Part 2, Article 9 of the constitution which can be found at the following link:

<http://democracy.tamworth.gov.uk/documents/s25701/Constitution%20-%2018th%20Edition.pdf>

3. Member and Officer Attendance

The Audit & Governance Committee met 4 times during 2019/20. The meeting due to be held on 26 March 2020 was cancelled due to the Covid-19 lockdown restrictions.

Membership of the Audit & Governance Committee during 2019/20 and their attendance is detailed at below:

Audit & Governance Committee Member	Date of Committee			
	6/6/2019	25/7/19	24/10/19	13/2/20
Councillor M Summers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Councillor M Bailey	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
Councillor C Cooke	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
Councillor J Faulkner		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Councillor M Greatorex	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Councillor M Oates	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Councillor S Pritchard				<input checked="" type="checkbox"/>
Councillor P Thurgood	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

A number of Audit Committee Members also sat on various other Committees. There were no reports received during the year that necessitated members absenting themselves.

In reviewing the effectiveness of the Audit & Governance Committee, Members considered whether effectiveness could be further strengthened by appointing Independent Members to the Audit & Governance Committee. The Committee Terms of Reference currently enables up to 2 independents to be appointed. The Committee are assessing the pros and cons of this and will form a decision in the new Committee year.

Senior officers from the council also attend the Audit Committee as appropriate, including the Executive Director Finance (Chief Finance Officer), Assistant Directors and the Head of Audit & Governance. Our External Auditor also attends.

4. Training & Effectiveness

Audit & Governance Committee receive appropriate and proportionate training. At the meeting in June 2019, the External Auditors presented an overview of the role of the committee. A general training session for all Councillors was held in September 2019 on the role of the Committee; the internal control environment, governance, risk management and counter fraud. In November 2019 all Members had the opportunity to receive a tailored briefing on treasury management.

5. Sources of Assurance during 2019/20

In fulfilling its terms of reference, the business conducted by the Audit Committee during 2019/20 is detailed at **Appendix A** per the following themes:

- Internal Audit
- External Audit / Inspection
- Financial Management
- Risk Management
- Corporate Governance.

The Committee gained assurance in 2019/20 from these themes as follows:

Internal Audit

In respect of the 2018/19 financial year, a positive Internal Audit Opinion was given from the Head of Audit & Governance as follows:

'I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation's risk management, control and governance processes.

Overall in my opinion, based upon the reviews performed during the year, the Authority has:

- adequate and effective risk management arrangements;
- adequate and effective governance; and
- has adequate and effective control processes.

Specific issues:

There were no specific issues highlighted through the work of Internal Audit in the fourth quarter of the 2018/19 financial year that would need to be highlighted as a corporate risk'.

Audit Committee received internal audit's performance reporting during the year indicating that the service was performing well against its performance measures.

The Council can be assured that no issues have been identified in the 2019/20 work completed which impacts materially on the overall system of internal control.

External Audit / Inspection

The main responsibility of the External Auditor is to report on the council's accounts and whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Grant Thornton reported on the 2018/19 accounts. In Grant Thornton's Annual Audit Report, they concluded that:

'In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Financial Management

The Committee scrutinised the 2018/19 statement of accounts and also received reports on accounting policies. The Committee also received regular Internal Audit progress reports, including a number giving assurance on financial management and controls during the period (e.g. bank and cash, income management, council tax, NNDR, payroll and housing rents).

Risk Management

The Committee has received quarterly updates on the Council's risk management arrangements via review of the corporate risk register. This included oversight and constructive challenge on risks such as finance (ensuring the Council is financially sustainable as an organisation); modernisation and commercialisation agenda (developing and implementing continuous improvement); governance (ensuring policies, processes and procedures and the authority is held to account); community focus (safety, health and well being of our citizens); economic growth and stability; information safeguarding (our information is protected) and Brexit (the impact of Brexit on the Council).

The risk environment has ultimately transformed in the wake of Covid-19 and this will dominate risk management arrangements going forward in 2020/21.

Corporate Governance

The annual governance statement (AGS) and review of effectiveness for the 2018/19 financial year, concluded that the effectiveness of the system of internal control was fit for purpose overall.

The Committee also:

- undertook a review of its own effectiveness in line with CIPFA good practice;
- received updates on the Council's use of the Regulation of Investigatory Powers Act 2000;
- received assurance via the Local Government and Social Care Ombudsman Annual Review;
- received assurance on the Council's Modern Slavery and Human Trafficking Statement; and
- approved a suite of refreshed counter fraud policies (Whistleblowing Policy, Counter Fraud & Corruption Policy Statement, Strategy and Guidance Notes, Anti Money Laundering Policy).

Regular updates on the adequacy of the council's counter fraud arrangements were also taken, and a work programme of activity agreed, which will be implemented and monitored during 2020/21.

6. Conclusion

The Committee has been able to confirm that there were no areas of significant duplication or omission in the systems of governance in the authority that had come to the Committee's attention during 2019/20 that were not being adequately resolved.

Through members receiving this report, the role and purpose of the Committee has been promoted and it has demonstrated that the Committee has continued to perform, meet its terms of reference and added value. This work will continue in 2020/21 with the Committee's refreshed work programme.

**Summary of Audit & Governance Committee Work Plan by Assurance Theme
2019/20**

Meeting Date	Report	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
6/6/19	Annual Governance Statement and Code of Corporate Governance					<input checked="" type="checkbox"/>
	Internal Audit Annual Report and Quarter Update Report	<input checked="" type="checkbox"/>				
	Public Sector Internal Audit Standards & Quality Improvement Programme	<input checked="" type="checkbox"/>				
	Counter Fraud Update				<input checked="" type="checkbox"/>	
	Committee Self Assessment					<input checked="" type="checkbox"/>
	Regulation of Investigatory Powers Act 2000					<input checked="" type="checkbox"/>
25/7/19	Audit Findings Report		<input checked="" type="checkbox"/>			
	Management Representation Letter		<input checked="" type="checkbox"/>			
	Annual Statement of Accounts			<input checked="" type="checkbox"/>		
	Risk Management - Quarter Update				<input checked="" type="checkbox"/>	
	Modern Slavery and Human Trafficking Statement 2018/19					<input checked="" type="checkbox"/>
	Regulation of Investigatory Powers Act 2000					<input checked="" type="checkbox"/>
	Counter Fraud Update				<input checked="" type="checkbox"/>	
	Internal Audit Quarter Update Report	<input checked="" type="checkbox"/>				
24/10/19	Annual Audit Letter 2018/19		<input checked="" type="checkbox"/>			
	Review of Annual Report on Treasury Management and Actual Prudential Indicators 2018/19			<input checked="" type="checkbox"/>		
	Risk Management - Quarter Update				<input checked="" type="checkbox"/>	
	Local Government and Social Care Ombudsman Annual Review					<input checked="" type="checkbox"/>
	Regulation of Investigatory Powers Act 2000					<input checked="" type="checkbox"/>
	Counter Fraud Update				<input checked="" type="checkbox"/>	
	Review of Counter Fraud & Corruption Policy Statement, Strategy and Guidance Notes				<input checked="" type="checkbox"/>	
	Review of Whistleblowing Policy				<input checked="" type="checkbox"/>	
	Review of Anti Money				<input checked="" type="checkbox"/>	

Meeting Date	Report	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
	Laundering Policy					
13/2/20	Audit Plan		<input checked="" type="checkbox"/>			
	Regulation of Investigatory Powers Act 2000					<input checked="" type="checkbox"/>
	Risk Management - Quarter Update				<input checked="" type="checkbox"/>	
	Internal Audit Quarter Update Report	<input checked="" type="checkbox"/>				
	Audit Committee Effectiveness Review					<input checked="" type="checkbox"/>