

23 MARCH 2021

**ANNUAL REPORT OF THE AUDIT & GOVERNANCE COMMITTEE 2020/21****EXEMPT INFORMATION**

None.

**PURPOSE**

This report presents the proposed Annual Report of the Audit & Governance Committee 2020/21 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 2020/21 be endorsed prior to its submission 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 2020/21.

## **APPENDICES**

**Appendix 1 – Annual Report of the Audit & Governance Committee 2020/21**

## Annual Report of the Audit & Governance Committee 2020/21

### 1. Introduction from the Chair of the Audit Committee

I am pleased to present the Annual Report of the Audit Committee for the 2020/21 Committee year.

There is no doubt that this has been a challenging year for everyone. During these extraordinary times, it is more important than ever that the Committee is able to gain assurance that the Council's governance, risk and internal control environment remain fit for purpose.

While some of the Committee's early work programme was impacted by restrictions arising from the pandemic, the Committee moved seamlessly to remote working, hosting its meetings remotely from July 2020. Business as usual resumed and the Committee was able to seek assurance against the Council's response to Covid-19 and other significant risks, as well as continuing to ensure the Council's overall governance framework remained robust.

These will be continuing themes into our work programme in 20/21, but in addition, there will be new areas on which the Committee will be seeking assurance, such as in the Council's transformation of the town centre following the £21.65m allocation of Future High Street Funding and also in terms of the Reset and Recovery Programme. As we hopefully move into a post pandemic recovery, the Committee will continue to scan the risk horizon for new and emerging threats and opportunities, notably, the Council's response to climate change and cyber security. I would welcome all to attend a meeting of the Committee and see our work in operation for yourselves!

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 2020/21  
11 March 2021**

### 2. Terms of Reference

The terms of reference, which the Committee operated to during 2020/21, is detailed at Part 2, Article 9 of the constitution which can be found at the following link: [CONSTITUTION CLICK HERE](#)

### 3. Member and Officer Attendance

The Audit & Governance Committee met 4 times during 2020/21.

Membership of the Audit & Governance Committee during 2020/21 and their attendance is detailed at below:

Audit & Governance Committee Member	Date of Committee			
	23/7/20	29/10/20	11/02/21	23/3/21
Councillor M Summers	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC

Councillor M Bailey	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC
Councillor C Cooke	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC
Councillor J Faulkner	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC
Councillor M Oates	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		TBC
Councillor S Pritchard		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC
Councillor P Thurgood	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC

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 assessed the pros and cons of this during the year and decided to commence a recruitment process to appoint 2 independent members. This will be progressed for the new Committee year 2021/22.

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. The External Auditor also attends.

#### **4. Training & Effectiveness**

Audit & Governance Committee receive appropriate and proportionate training. A general training session for all Councillors was held in November 2020 on the role of the Committee; the internal control environment, governance, risk management and counter fraud.

#### **5. Sources of Assurance during 2020/21**

In fulfilling its terms of reference, the business conducted by the Audit Committee during 2020/21 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 2020/21 from these themes as follows:

##### **Internal Audit**

In respect of the 2020/21 financial year, a positive Internal Audit Opinion was given from the Head of Audit & Governance as follows:

‘On the basis of audit work completed, the Head of Audit & Governance’s opinion on the council’s framework of governance, risk management and internal control is reasonable in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by audit work. These matters have been discussed with management, to whom recommendations have been made. All of these have been, or are in the process of being addressed’.

'Specific issues:

No specific issues have been highlighted through the work undertaken by Internal Audit during the year'.

Audit Committee received internal audit's performance reporting during the year indicating that the service was performing reasonably against its performance measures, despite the disruption of the pandemic.

The Council can be assured that no issues have been identified in the 2020/21 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 2019/20 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 Council and its income and expenditure for the year; and
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the requirements of the Local Audit and Accountability Act 2014'.

### **Financial Management**

The Committee scrutinised the 2019/20 statement of accounts and also received reports on accounting policies. The Committee also had oversight of a review of the Council's financial guidance, undertook a review of the financial resilience index and received assurance on the treasury management strategy / statement. The Committee received regular Internal Audit progress reports, including a number giving assurance on financial management and controls during the period (e.g. budgetary control, treasury management and housing and council tax benefits).

### **Risk Management**

The Committee 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 financial sustainability; modernisation and commercialisation; governance; community focus; economic growth and sustainability; information safeguarding and risks arising from the UK's exit from the European Union.

### **Corporate Governance**

The annual governance statement (AGS) and review of effectiveness for the 2019/20 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; and
- received assurance on the Council's Modern Slavery and Human Trafficking Statement.

Regular updates on the adequacy of the council's counter fraud arrangements were also received, including the approval of a new prevention of the facilitation of tax evasion policy.

## **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 2020/21 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 2021/22 with the Committee's refreshed work programme.

## Appendix A

### Summary of Audit & Governance Committee Work Plan by Assurance Theme 2020/21

Meeting Date	Report	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
23/7/20	Risk Management Update				<input checked="" type="checkbox"/>	
	Regulation of Investigatory Powers Act					<input checked="" type="checkbox"/>
	Internal Audit Annual Report and Update	<input checked="" type="checkbox"/>				
	Pros and Cons of Independent Members					<input checked="" type="checkbox"/>
	Public Sector Internal Audit Standards & Quality Improvement Programme	<input checked="" type="checkbox"/>				
	Audit Plan and Charter 20/21	<input checked="" type="checkbox"/>				
	Financial Guidance Review			<input checked="" type="checkbox"/>		
	Audit Committee Annual Report 2019/20					<input checked="" type="checkbox"/>
	Audit Plan Addendum		<input checked="" type="checkbox"/>			
	Informing the Risk Assessment		<input checked="" type="checkbox"/>			
	Public Sector Audit Appointments Update		<input checked="" type="checkbox"/>			
	Financial Resilience Index			<input checked="" type="checkbox"/>		
	Corporate Vision, Priorities, Plan, Budget, Medium Term Financial Strategy			<input checked="" type="checkbox"/>		
	Treasury Management Statement / Strategy			<input checked="" type="checkbox"/>		
	Accounting Policies			<input checked="" type="checkbox"/>		
29/10/20	Audit Findings Report		<input checked="" type="checkbox"/>			
	Management Representation Letter		<input checked="" type="checkbox"/>			
	Annual Statement of Accounts & Report			<input checked="" type="checkbox"/>		
	Review of Treasury Management Service and Prudential Indicators Report			<input checked="" type="checkbox"/>		
	Review of Proposed Investment in Property Fund			<input checked="" type="checkbox"/>		
	Risk Management - Quarterly Update				<input checked="" type="checkbox"/>	
	Internal Audit Quarterly Report	<input checked="" type="checkbox"/>				
	Counter Fraud Update					<input checked="" type="checkbox"/>
	Annual Governance Statement and Code of Corporate Governance					<input checked="" type="checkbox"/>
	Review of the Constitution					<input checked="" type="checkbox"/>

Meeting Date	Report	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
	and Scheme of Delegation					
11/2/21	Annual Audit Letter		<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"/>
	Modern Slavery & Human Trafficking					<input checked="" type="checkbox"/>
23/3/21	Audit Committee Annual Report 2020/21					<input checked="" type="checkbox"/>
	Internal Audit Charter and Plan 21/22	<input checked="" type="checkbox"/>				
	Audit Plan		<input checked="" type="checkbox"/>			
	Informing the Risk Assessment		<input checked="" type="checkbox"/>			
	Review of Treasury Statement / Strategy			<input checked="" type="checkbox"/>		
	Final Accounts – Accounting Policies and External Audit Plan			<input checked="" type="checkbox"/>		
	Review of Financial Guidance			<input checked="" type="checkbox"/>		