

**REPORT TO:** **AUDIT AND STANDARDS COMMITTEE**

**DATE:** **16 JUNE 2021**

**TITLE:** **AUDIT AND STANDARDS COMMITTEE ANNUAL REPORT**

**LEAD OFFICER:** **SARAH MARSH, INTERNAL AUDIT MANAGER  
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**RECOMMENDED that:**

The Annual Report for the Audit and Standards Committee for 2020/21 be agreed and for the report be referred to the Council for approval.

**BACKGROUND**

1. The effective operation of the Audit and Standards Committee forms a key element of the Council's assurance framework. By fulfilling its responsibilities as detailed in this annual report the Committee supports the Council to maintain a high standard of corporate governance.
2. The Annual Report of the Audit and Standards Committee outlines its work and achievements during the year ending 31 March 2021. The Annual Report helps to demonstrate to residents and the Council's other stakeholders the vital role that the Committee fulfils and the contribution that it makes to the Council's overall governance arrangements.
3. It should be noted that Covid-19 did not disrupt the workings or business of the Audit and Standards Committee, despite it having to meet virtually throughout 2020/21.
4. The Audit and Standards Committee role is two-fold:
  - a) Audit - To oversee the Council's internal audit and risk functions; receive and approve external audit reports; scrutinises the Annual Statement of Accounts; make reports and recommendations to the Cabinet, Committees and the Council as a whole on the adequacy of its corporate governance and risk management arrangements and the associated control environment.
  - b) Standards - To deal with a range of matters including issues concerning Councillors' conduct, provide advice and guidance to the Council, the Cabinet and individual Councillors and advise on the application and review of the Constitution.

5. Whilst there is no statutory obligation for a local authority to establish an Audit Committee, they are widely recognised internationally across the public and private sectors as a key component of effective governance. Similarly, it is considered good practice for the Committee to report annually to the Council on its work.
6. The key benefits of an effective Audit Committee are to:
  - a) Increase awareness regarding the effectiveness and continued development of the Council's governance arrangements;
  - b) Provide additional assurance on the robustness of the Council's governance arrangements through a process of independent and objective review;
  - c) Reduce the risks of illegal or improper acts;
  - d) Increase public confidence in the objectivity and fairness of financial and other reporting;
  - e) Contribute to performance improvements in assurance levels and awareness of the need for strong internal control including the implementation of audit recommendations; and
  - f) Reinforce the importance and independence of internal and external audit and similar review processes.

### **Assurance Activity 2020/21**

7. To help the Committee draw conclusions about the effectiveness of the Council's internal control framework, governance and risk management it gained assurances from the following sources:

### **Internal Audit**

8. The Accounts and Audit (England) Regulations 2015 require the Council to maintain an adequate and effective Internal Audit function which is discharged by the Deputy to the Chief Executive and Head of Finance and Property Services as Section 151 Officer. Internal Audit is a key source of independent assurance for both Members and management on the effectiveness of the control framework. The Committee has a responsibility for ensuring that Internal Audit is effective in the provision of this assurance.
9. The Committee considered and agreed reports regarding the Internal Audit Strategy, Internal Audit Charter and Annual Plan 2020/21, with the annual plan being revised in June 2020 to take into account a change in the Council's risk profile due to Covid-19. It has also monitored progress made by management in implementing audit recommendations and received regular progress reports on

the work and performance of Internal Audit. These reports have helped in ensuring that reported weaknesses have either been addressed or the identified risks adequately mitigated by management and that there is an effective system of governance, risk management and internal control in place.

### **Assurance Framework / Annual Governance Statement**

10. The Committee's terms of reference include advising on the effectiveness of the Council's internal controls and assurance framework including the production of the Annual Governance Statement.
11. During the year, the Committee has received reports on the control framework and how the annual review and assurance process is undertaken. Members are provided with progress made on the issues raised in respect of the Annual Governance Statement and of the annual service assurance process. The Assurance Framework is compiled from various sources of assurance, for instance Heads of Service and other key officers.
12. The Internal Audit Manager provides an annual report and opinion regarding the Council's control, governance and risk management framework. This opinion is considered by the Committee alongside other sources of assurance.
13. The Committee reviewed the Annual Governance Statement (AGS) for 2019/20 which identified governance issues requiring further ongoing improvement or monitoring relating to:
  - a) Risk management and lessons learnt from Covid-19
  - b) Financial resilience
  - c) New ways of working in light of Covid-19
  - d) Ensuring the health and safety of staff, partners and the public in the way that the Council delivers its services
14. The assurance framework remained unchanged during 2020/21. The Council's Code of Corporate Governance was reviewed by the Committee in August 2020 ensuring it remained compliant with the CIPFA/SOLACE framework – Delivering Good Governance in Local Government. Only minor changes were proposed (and agreed) to reflect the impact of Covid-19 on the Council's Code.
15. The Committee was able to be satisfied that there is a robust assurance framework in place to safeguard the Council's resources through reliance on the annual review of the Council's system of internal control and the Internal Audit Manager's annual opinion.

## **Anti-Fraud and Corruption**

16. Countering fraud and corruption is the responsibility of every Member and officer of the Council. The Committee's role in this area has been to monitor and support the actions taken by officers to counter fraud including the work of the Corporate Fraud Group.
17. The Committee receives reports and presentations on such work undertaken in the Council and proactive fraud work, for example participation in the National Fraud Initiative (NFI), the work of the Housing Fraud Officer and new for 2020/21 fraud and assurance work regarding Covid-19 business grants.
18. The Council continues to send out a strong message that fraud will not be tolerated and that where fraud is proven the strongest possible actions of redress will be taken.
19. Based on the work to date, coupled with no major incidences of fraud and corruption being highlighted by management or Internal Audit, the Committee concludes that there is a sound anti-fraud framework in place. The Council's Anti-Fraud and Corruption Strategy was reviewed and approved by the Committee in August 2020.

## **Risk Management**

20. The Committee receives and discusses reports relating to risk management. Work continues to enhance monitoring and reporting mechanisms to ensure there is adequate scrutiny and challenge of risk across the Council and aligning this with the service planning process. Committee members are routinely presented with the corporate strategic risk register with a rolling review of individual risks contained within it.
21. At its March 2020 meeting the Committee approved the revised risk strategy and agreed the Council's risk appetite and the introduction of risk appetite thresholds to improve transparency.

## **Statement of Accounts and External Auditors**

22. Since 2018 the Audit and Standards Committee has held delegated authority to approve the Annual Governance Statement and the Annual Statement of Accounts. In addition, the Chair of the Audit and Standards Committee, rather than the Leader of the Council, has the authority to sign both of these key documents off.
23. The Committee has been kept abreast during the year on outstanding issues regarding the 2018/19 Accounts, seeking explanations for the delay from both the External Auditors (BDO) and the Council's Section 151 Officer. At the November 2020 meeting the Committee approved the latest Statement of Accounts presented to them and delegated final sign off of the accounts to the

Deputy to the Chief Executive and Head of Finance and Property Services in consultation with the Chair of the Committee. The 2018/19 accounts are now reported elsewhere on the agenda for the Committee's approval and sign off by the Chair.

24. Also at the November meeting, the Committee agreed the External Auditor's audit plan for the 2019/20 accounts. The aim is for the 2019/20 accounts to be reported to the Committee in November 2021.
25. During the year the Committee received a number of reports from the External Auditors, BDO, who attend most meetings. These reports included the draft Audit Results Report 2018/19. When reviewing the reports the Committee considered audit risks highlighted by the External Auditors.

### **Committee Working Arrangements**

26. The Committee has a rolling and flexible programme of work for its main areas of activity which is proactively reviewed and amended throughout the year to reflect changes in policies, priorities and risks. The Committee met four times in 2020/21. Due to the pandemic, these were held virtually, which members of the public had access to. The Committee considered items which are presented annually, such as audit results, the statement of accounts, the annual governance statement, and audit plans; as well as a number of other items including a review of the Audit and Standards Committee's terms of reference.
27. Prior to Covid-19 training sessions or briefings were held before most Committee meetings and these are now planned to recommence in 2021/22. The agreed work programme enables the Committee to provide an independent assurance to the Council as to the adequacy of the risk management framework and the associated control environment.
28. In August 2020 the Committee undertook its own effectiveness review and reviewed its Terms of Reference, the results of which concluded its Terms of Reference remained fit for purpose and the Council was able to demonstrate compliance with recommended best practice for an effective Audit Committee.
29. Members of the Committee have a wide range of both experience and professional knowledge. The Committee has the benefit of being well supported by Council Officers. This included the Deputy to the Chief Executive and Head of Finance and Property Services, who is also the Section 151 Officer, the Council's Monitoring Officer (Head of Governance), and the Internal Audit Manager as well as the Council's External Auditors.
30. The Committee has previously agreed to the appointment of an independent member to the Committee. A recruitment process was initiated in January 2020 and interviews set up for the three applications received which were postponed due to Covid-19. The interviews finally took place via Zoom at the beginning of

October 2020 involving: Cllr Mullard, Cllr Clark and Cllr Carter supported by the Deputy to the Chief Executive and Head of Finance and Property Services and the Internal Audit Manager. An appointment was not made on this occasion as the shortlisted candidates failed to meet sufficiently the criteria set out within the person specification. The recruitment process was restarted in May 2021 which it is hoped will lead to the appointment of an independent member of the committee later in 2021.

31. No major breakdowns in internal control, governance and risk management that may have led to a significant loss in one form or another have been recorded or reported. Nor has any major weakness in the governance systems that has exposed, or continues to expose, the Council to an unacceptable level of risk. This includes the period to the end of March 2021 during which the government has introduced several full scale lock down of the country due to Covid-19.
32. The purpose, strategy and work programme of the Committee helps mitigate against any major failure by the Council to obtain independent assurance in relation to the governance processes underpinning:
  - a) An effective risk management framework and internal control environment including audit;
  - b) The effectiveness of financial and non financial performance (to the extent that it affects exposure to risk and poor internal control); and
  - c) The compilation and consideration of the Annual Governance Statement.

## **CONCLUSION**

33. Through its work, the Committee has provided additional assurance in relation to the robustness of the Council's arrangements regarding corporate governance, risk management and internal controls.
34. The Committee has added value through its activity and in particular:
  - a) It has continued to increase the importance placed upon governance issues, particularly risk management, anti-fraud and corruption and the assurances sought that key risks are being mitigated; and
  - b) It has continued to raise the profile of internal control issues across the Council and to seek to ensure that audit recommendations are implemented.
35. The Committee's remit is achieved firstly through it being appropriately constituted, and secondly by the Committee being effective in ensuring internal accountability, the delivery of Audit and a robust assurance framework. The

Committee has received and challenged reports from management and both internal and external audit.

36. The Committee has continued to have a real and positive contribution to the governance arrangements of the Council. The Committee's key achievement is through the provision of additional assurance relating to the robustness of the Council's arrangements regarding corporate governance, risk management and the control environment.

## **IMPLICATIONS**

### **Environment and Planning (includes Sustainability)**

None specific.

**Author: Andrew Bramidge, Head of Environment and Planning**

### **Finance (includes ICT)**

There are no financial implications and no direct risk management implications arising from the recommendations.

**Author: Simon Freeman, Head of Finance and Property and Deputy to the Chief Executive**

### **Housing**

None specific.

**Author: Andrew Murray, Head of Housing**

### **Community Wellbeing (includes Equalities and Social Inclusion)**

None specific.

**Author: Jane Greer, Head of Community Wellbeing**

### **Governance (includes HR)**

There is no legal or constitutional requirement for the Committee to report to the Council on its work, however, it is considered good practice to do so.

The effective operation of the Audit and Standards Committee forms a key element of the Council's assurance framework. By fulfilling its responsibilities as detailed in its annual report the Audit Committee helps the Council to maintain a high standard of corporate governance.

Audit Committees in local authorities are necessary to satisfy the wider requirements for sound financial management, internal controls and risk as set out in the Accounts and Audit (England) Regulations 2015.

**Author: Simon Hill, Head of Governance**

## **Background papers**

Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition)

## **Appendices**

None

## **Glossary/abbreviations used:**

AGS – Annual Governance Statement

CIPFA – Chartered Institute of Public Finance and Accountancy

NFI – National Fraud Initiative

SOLACE – The Society of Local Authority Chief Executives