

**AUDIT AND ACCOUNTS COMMITTEE**  
**ANNUAL REPORT 2018/19**

## **Introduction from the Chair of Audit & Accounts Committee**

I am pleased to introduce this, the first annual report of the Council's Audit and Accounts Committee. I was appointed as Chair of the Committee in May 2018. I am keen that the role and profile of the Committee continues to grow.

The Committee's membership was enhanced in 2018/19 by the inclusion of two independent members.

This Annual Report helps to demonstrate to the City's residents and the Council's other stakeholders the vital role that is carried out by the Audit and Accounts Committee and the contribution that it makes to the Council's overall governance. The key activities of the Committee during the year are set out in the report. In summary we concentrated our work on

- Assessing whether the council has an adequate system of internal control to make sure it can meet its various financial and governance responsibilities, as well as deliver on its priorities
- Whether those systems of control are working effectively to mitigate risk.
- Seeking ongoing assurance from the Strategic Director of Corporate Resources, the Head of Internal Audit, Ernst Young (our External Auditor) and those Council officers requested to attend the Committee to discuss specific issues on which we require further understanding.

As a result of this work, we are able to provide the Council, with assurance around the effectiveness of internal control, risk management and governance arrangements.

The Committee has continued to adapt the way it works, and where it focusses its time, particularly around risk management and governance. Strong and effective control environment arrangements are an essential element of a robust corporate governance framework. The Audit and Accounts Committee has a leading role to play in ensuring that the Council's governance arrangements are effective and contribute to the mitigation of risks. As the Council's operating model changes we need to ensure that our work and the control systems it oversees, remain effective.

I would like to take this opportunity to thank the members of the Committee, the Strategic Director of Corporate Resources, the Head of Internal Audit, Democratic Services team and the representatives from our external auditors for their continuing support during the last year.

**Councillor Stephen Willoughby**  
**Chair of the Audit and Accounts Committee**  
**June 2019**

## 1. Introduction

The Audit and Accounts Committee was set up in September 2005. Its role is defined in its terms of reference, as laid out in the Council's constitution, as shown in Annex A. The areas covered within them are consistent with those identified as good practice by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its document "Audit Committees: Practical Guidance for Local Authorities and Police" (2018).

This report informs Full Council of the Committee's activities during the Municipal Year 2018/19 and how it has discharged its responsibilities.

## 2. Information about the Committee

### Audit Committee Membership

In the 2018/19 Municipal year the Committee had nine members, plus two independent members:

Councillor Stephen Willoughby – Chair (Conservative)  
Councillor Joanna West - Deputy Chair (Labour)  
Councillor Lucy Care (Liberal Democrat)  
Councillor Rob Cooper – (Conservative)  
Councillor Richard Hudson (Conservative) – replaced Councillor Adrian Pegg following June 2018 meeting  
Councillor Fareed Hussain (Labour)  
Councillor Nadine Peatfield (Labour)  
Councillor Baggy Shanker (Labour)

Independent Members: Stuart Green, Philip Sunderland

### Audit Committee Meetings and Attendance

The Committee had agreed to hold at least five meetings each year; and is required to meet at certain times to achieve a number of deadlines i.e. in July each year to review and approve the Annual Statement of Accounts and the Annual Governance Statement. Through the year we receive regular updates on the key issues/events.

The schedule of Members attendances is shown in Table 1 below. Committee Members achieved an attendance rate of 80% (48 out of a possible 60) in the six meetings held in 2018/19.

**Table 1: Attendance at Audit Committee Meetings**

	19 June 2018	8 Aug 2018	19 Sept 2018	7 Nov 2018	6 Feb 2019	27 Mar 2019
<b>Councillors</b>	7	7	8	7	7	5
<b>Independent</b>	2	0	1	1	1	2

In line with good practice the Head of Internal Audit has attended all Audit and Accounts Committee meetings and the Strategic Director of Corporate Resources has attended five of the six meetings. In addition other senior officers have attended where appropriate, or where they have been invited by the Committee, including the Chief Executive. The Cabinet Member for Financial Services and Procurement has also attended meetings of the Committee.

## **Training**

As a Committee, we have recognised the importance of providing all members with appropriate training to allow them to effectively carry out what can be a demanding and technical role.

In 2018/19, the Committee received specific training on fraud risk and on risk management. All members were provided with induction training on the role of the member of an Audit Committee prior to the June 2018 meeting.

In addition relevant national guidance is regularly shared with Committee Members by the Head of Internal Audit. These include Audit Committee Updates (CIPFA Better Governance Forum).

The Chair has also attended training courses/workshops run by CIPFA's Better Governance Forum.

The External Auditor also shared with the Committee their Local Government Audit Committee Briefings

## **3. How have we discharged our responsibilities**

The way we have discharged our responsibilities in 2018/19 is described below:

### **Approve the Statement of accounts**

- We approved the annual statements of accounts on behalf of the Council, and considered the external auditor's ISA 260 report. Where appropriate the Committee challenged officers and the external auditors on the content of the accounts.
- We reviewed the proposed accounting policies

### **Annual Governance Statement**

- We reviewed the Annual Governance Statement, and recommended it to be signed on the Council's behalf by the Leader and the Chief Executive. We sought assurance that the Statement properly reflected all significant governance issues and clarification in relation to the areas identified in the statement.

## **Approve the Internal Audit Plan / Head of Internal Audit Annual Report and Opinion**

- We considered the Internal Audit Annual Report 2017/18; this included the Head of Internal Audit's Annual Opinion. This opinion is an important source of assurance to the Committee in relation to its responsibilities for governance, risk management, internal control.
- We received quarterly update reports from the Head of Internal Audit on the delivery of the annual internal audit plan for 2018/19. This also includes a summary of findings from audit reports, performance measures and progress made by management on the implementation of audit recommendations.
- Action on overdue recommendations, calling in the relevant officers to provide updates.
- We had sight of the Audit Charter for the Internal Audit Partnership and its Quality and Assurance Improvement (QAIP).
- We approved the 2019/20 Internal Audit Plan at the March 2019 meeting, and sought assurances that the content of the plan was sound and that internal audit had sufficient resources to deliver it.

## **Promoting a counter fraud culture**

- We received regular update reports on counter fraud activities taking place within the Council. This included an update on the work of the Counter Fraud Team.

## **External Audit and other agencies**

- We considered a report in relation to grant claims certified by external audit.
- Received the Annual Audit Letter (2017/18) from the Council's External Auditor (August 2018)
- Reviewed the External Audit Plan 2018/19

## **Risk Management**

- We received quarterly monitoring reports on risk management which gave members the opportunity to provide challenge to officers on how risks were being managed. Risk management has previously been identified as an area for improvement by both External Audit and the Local Government Association as part of the Peer Review findings. Improvement in this area is a key action in the Council's Corporate Improvement Plan.
- We commissioned Risk Surgeries to undertake a review of any specific risks on the strategic risk register. These surgeries promote a better understanding

of risks and improve our challenge of strategic risk assessment and mitigation.

- Two risk surgeries were held in the 2018/19 Municipal Year. The first, held in January 2019, looked at Strategic Risk 4 “Delivering the Medium Term Financial Plan”, the second, held in April 2019, covered Strategic Risk 7 “Procurement and contract management”. The risk surgeries give those Councillors attending the opportunity to be briefed on specific risk related issues and to improve their understanding of how risks are managed. The risk surgeries assess how strategic risks are mitigated, review action plans and help create ownership and accountability for risk management and organisational governance.

### **Annual work programme**

- We have an annual work programme (see Annex B) which allows us to obtain a greater understanding of issues of strategic interest and areas that could impact on the governance of the Council. During 2018/19, as well as our core work areas, we received reports and sought assurance in the following areas:
  - Waivers
  - Information Security
  - Corporate Improvement Plan
  - Annual Report from the Monitoring Officer

### **Special Topics**

- s24 Recommendation - Audit and Accounts Committee requested that Internal Audit provided assurance on the process of embedding the measures outlined in the s24 Recommendation action plan. We reviewed the findings from the internal audit review and sought assurances on progress with implementation of the actions.
- A52 Investigation – we had a workshop to discuss the findings from the investigation report and how they impacted on the governance of the Council.
- A Working group of Committee members was set up to review and amend the Committee Terms of Reference. These were reviewed by Committee on 7 November 2018 and approved on 6 February 2019 for submission to Full Council. The terms of reference were approved by Full Council on 27 February 2019.

### **Meetings with the Head of Internal Audit**

- In between the formal Committee meetings the Head of Internal Audit has periodic informal meetings with the Chair and the Vice-Chair of the Committee to allow them to discuss emerging issues.

## **4. Audit Committee Self-Assessment**

In February 2018 the Committee agreed that all members would complete a self-assessment questionnaire. This exercise meant we could identify areas of Committee activity which require improvement. An improvement plan was produced which the Committee monitored progress on during 2018/19.

### **Audit and Accounts Committee**

#### **Revised Terms of Reference**

##### **Statement of purpose**

The Audit and Accounts Committee is a key component of the Council's corporate governance. It provides a high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Audit and Accounts Committee is to provide independent assurance to the Council on 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 and external audit, helping to ensure efficient and effective assurance arrangements are in place.

##### **Meetings**

The Committee will meet at least four times a year. The Chair of the committee may convene additional meetings as he/she deems necessary. The Head of the Paid Service, Section 151 Officer or the Head of Internal Audit may ask the Committee to convene further meetings to discuss particular issues.

The Audit and Accounts Committee, the Head of Internal Audit and External Audit have the opportunity for informal briefing sessions.

The Audit and Accounts Committee is authorised to discharge the following functions:

##### ***Governance, Risk, Control***

1. To review the council's arrangements for corporate governance against the good governance framework and consider quarterly governance reports and assurances.
2. To review and approve the authority's Annual Governance Statement (AGS).
3. To maintain an overview of the council's constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
4. To review any issue referred to it by the chief executive or a strategic director, or any council body.



5. To consider, approve and monitor the effective development and operation of risk management in the council.
6. To review, approve and monitor the effectiveness of council policies on whistleblowing, counter fraud and corruption, anti-bribery and anti-money laundering.
7. To monitor progress in addressing risk-related issues reported to the Committee.
8. To consider the council's compliance with its own and other published standards and controls.
9. To consider reports from external regulators (e.g. Ofsted, Care Quality Commission, Local Government Ombudsman) that impact on the Committee's areas of responsibility.

### ***Internal Audit***

10. To consider and approve the annual internal audit plan, including internal audit's resource requirements.
11. To approve the internal audit charter
12. To approve significant interim changes to the annual audit plan and resource requirements.
13. To consider (periodic) reports from the Head of Internal Audit on internal audit's performance during the year. These will include;
  - updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work,
  - regular reports on the results of the Quality Assurance and Improvement Programme (QAIP),
  - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is significant enough to be included in the AGS.
14. To consider the Head of Internal Audit's annual report, including
  - the statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement

- 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.
15. To consider summaries of specific internal audit reports as requested.
  16. To consider reports dealing with the management and performance of the providers of internal audit services.
  17. To consider 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 Council or there are concerns about progress with the implementation of agreed actions.
  18. In conjunction with the Council's s151 Officer, to commission work from internal audit.
  19. 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.
  20. To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
  21. To provide free and unfettered access to the Chair of Committee for the Head of Internal Audit, including the opportunity for informal briefings with the Committee.

### ***External Audit***

22. 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 the Public Sector
23. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance and such specific reports as are agreed with external audit.
24. To comment on the scope and depth of external audit work and to ensure it gives value for money.

25. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies
26. In conjunction with the Council's s151 Officer, to commission work from external audit.
27. To provide free and unfettered access to the Chair of the Committee for the External Auditor, including the opportunity for informal briefings with the Committee.

### ***Financial reporting***

28. To review and approve 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.
29. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts

### ***Treasury Management***

30. To consider the robustness of the Council's treasury management strategy, policies and procedures before their submission to Cabinet, to ensure that controls are satisfactory.
31. To review the treasury risk profile and adequacy of the treasury management procedures.

### ***Accountability Arrangements***

32. To present an annual report on the work of the Committee to the Council, providing an opinion on the adequacy and effectiveness of the Council's governance, risk and control frameworks.

### **Review period of terms of reference**

It is good practice to review the Committee's terms of reference on an annual basis.

### **Date of Last Review**

November 2018

## Annex B

### AUDIT AND ACCOUNTS COMMITTEE PROGRAMME OF WORK TO MARCH 2019

Committee	Primary Activities	Other Activities
Tuesday 19 June 2018 at 10am	Committee Work Programme 2018/19 Internal Audit Annual Report 2017/18 including the Audit Opinion Internal Audit Progress Report on 2018/19 Plan Annual Audit Letter 2016/17 Certification of claims and returns annual report 2016-17 Draft Annual Governance Statement 2017/18 Corporate Improvement Plan update Risk Management Update (Q4) Accounting Policies CIPFA Guidance on Audit Committees	Waivers Information Governance Annual Report Appointment of Independent Members
Tuesday 31 July at 10am	Final Statement of Accounts 2017/18 Annual Governance Statement 2017/18 ISA 260 - Report to those charged with governance Update on Anti-Fraud Activities Annual Report 2017/18 Monitoring Officer update	Regulation of Investigatory Powers Act (RIPA) – Annual Report
Wednesday 19 September at 10am	Committee Work Programme & Training Internal Audit Plan – Progress report	Waivers A52 Investigation - Process

Committee	Primary Activities	Other Activities
	Risk Management Update (Q1) Internal Audit Report on s24 Recommendations	
Wednesday 7 November at 10am	Update on Anti-Fraud Activities Risk Management Update (Q2) Effectiveness of Audit & Accounts Committee – Update on action plan  Monitoring Officer update	Information Assurance Update Corporate Improvement Plan Update
Wednesday 6 February 2019 at 10am	Audit & Accounts Committee – Self Assessment Internal Audit Plan – Progress report Risk Management Update (Q3) Whistleblowing Policy Anti-Fraud and Corruption Strategy Anti- Money laundering Policy/Procedure Anti- Bribery Policy/Procedure	Waivers
Wednesday 27 March at 10am	Internal Audit Annual Plan 2019/20 External Audit Plan y/e 31 <sup>st</sup> March 2019 Update on Anti-Fraud Activities Certification of claims and returns annual report 2017-18 A52 Systems weakness Update on Implementation of Audit Recs	Information Assurance Update Corporate Improvement Plan update