

AUDIT & ACCOUNTS COMMITTEE
29 SEPTEMBER 2021

AUDIT & ACCOUNTS COMMITTEE ANNUAL REPORT

1.0 Purpose of Report

1.1 To inform Members of the activity undertaken by the Audit and Accounts Committee during the 2020/21 financial year.

2.0 Background Information

2.1 As part of the bi-annual review of the effectiveness of the Audit Committee which was undertaken during July 2019, an action plan was presented to the Audit and Accounts Committee at the meeting in November 2019. One of the actions identified within that plan was to produce an annual report of the activity of the Audit and Accounts Committee.

2.2 Part 2 of the constitution sets out the remit of the Committee which is:

- To approve the Authority's statement of accounts
- To review the Council's corporate governance arrangements
- To receive reports/presentations from the Council's internal audit manager
- To receive and consider the external auditor's opinion and reports
- To ensure that there are effective relationships between external and internal audit
- Consider the effectiveness and adequacy of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements
- Be satisfied that the authority's assurance statements properly reflect the risk environment and any controls in place to manage it
- Ensure effective scrutiny of the Council's Treasury Management Strategy and Policies.

3.0 Activity undertaken during the year

3.1 During the year, the Committee discharged its responsibilities as described within the Constitution by:

30th September 2020

3.2 Due to the pandemic the meetings during April and July 2020 were cancelled. Due to this the agenda for the meeting on the 30th September 2020 was expanded compared with the usual size.

3.3 Assurance Lincolnshire presented their Annual Audit report for the year 2019/20. The report detailed the four areas that the Head of Internal Audit offers an opinion on being:

Governance
Risk
Internal Control
Financial Control

- 3.4 All areas were assessed as Performing Adequately, which meant that the areas of Risk and Financial Control had reduced from the previous year of Performing Well. The main reasons for the downward trends were in relation to the uncertainties of risk around Covid-19 both from a response and recovery perspective around Risk and financial health in respect of Financial Control.
- 3.5 Within the year there had been a 16% increase in low and limited assurance reports compared with the previous year. 78% of the revised plan had been delivered albeit a number of reports were in progress at the 31st March 2020, but due to the pandemic were not completed when the annual report was written. These were however duly completed.
- 3.6 The Treasury Management Outturn report was presented for 2019/20. As the Committee responsible for overseeing the Councils treasury activities, it reviewed the report and noted that no breaches to the approved prudential indicators were made during 2019/20. The report was therefore recommended to Council for approval.
- 3.7 With the April and July meetings cancelled, the External Audit Strategy Memorandum was presented to the committee at this time, for the 2019/20 financial year. This report considered the arrangements for how the Council's external auditors – Mazars, would conclude their Statement of Accounts and Value for Money work. This report was duly noted by the Committee.
- 3.8 The External Auditors audit completion report was also tabled on this agenda as the audit was on-going due to the pandemic. The national deadlines for the approval and publication of the audited financial statements had been reviewed and re-set to 30 November due to the impact of the pandemic.
- 3.9 The Committee were made aware that although the accounts had been audited, final confirmation of an unqualified opinion cannot be concluded until the final report has been commissioned from the external auditors of the Nottinghamshire Pension Fund due to the materiality of the Council's pension liability. Therefore, the conclusions on the Statement of Accounts and Value for Money would be anticipated conclusions and to be finalised in a further report to the November Committee.
- 3.10 Alongside the External Auditors audit completion report, the Committee were presented with the audited draft statement of accounts for the year 2019/20.
- 3.11 The report informed the Committee that the audit had identified only one significant misstatement due to an allowance for 2020/21 financial years' provision against revaluation of the business rates debt being held at 31 March 2020. This debt was not held on the balance sheet at that date therefore the provision would not be held and the Committee were aware that all relevant notes were adjusted for the misstatement.
- 3.12 The Committee also received reports on:
- The Audit and Accounts Committees annual report for the year to March 2020
 - An Internal Audit progress report to date for the year 2020/21
 - The results of the fraud risk assessment undertaken during February 2020
 - The Counter-Fraud activities undertaken during November 2019 to August 2020

- An urgency item relating to a Homes England Compliance Audit Report in respect of the 5-year HRA Development programme.

25th November 2020

- 3.13 The Committee began with a training session provided by Rob Baxter from Link Group, the Council's treasury advisors. This annual training is to ensure that the Committee have the knowledge and skills to effectively challenge and understand the various treasury reports that are presented to them for them to recommend to Council for approval.
- 3.14 The Committee received a supplementary letter to the External Auditors audit completion report, which was presented to the Committee at the 30th Septembers Committee. This identified that 3 out of the 4 outstanding audit items had been completed with no matters to report, the audit area for Pension was ongoing. This was due to the lateness of the IAS19 assurance letters and the audited financial statements being made available and therefore the Council's external auditors were unable to gain satisfactory assurance over the net pension liability figure within the accounts.
- 3.15 Whilst this is out of the Council's control, the auditors advised the Committee that they were hoping to issue the audit report by the second week of December. This was also impacting on other Councils within Nottinghamshire in the same way.
- 3.16 As a result of the pandemic, and the ongoing uncertainties around local government funding, the Council produced a report on the Going Concern status of the Council.
- 3.17 The concept of a 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. The report was able to conclude in regard to the Council's arrangements and those factors as highlighted in the report, that the Council remained a going concern.
- 3.18 The audited statement of accounts were presented to the Committee for approval post the External Auditors supplementary letter to the audit completion report. Members of the Committee approved the Statement of Accounts, including the Annual Governance Statement.
- 3.19 The Committee considered a report from the Business Manager for Financial Services, summarising the review conducted by Sir Tony Redmond on the arrangements in place to support the transparency and quality of local authority financial reporting and external audit in England.

The review recommended 23 recommendations across a range of areas. Based on the recommendations contained within the report, there would likely be major changes to the financial reporting and external audit framework over the coming years. Officers will continue to monitor the external environment to ensure that if and when these recommendations are approved for use by the relevant organisations, the Council ensures the relevant provisions are in place to accommodate the change.

The Committee then discussed the pros and cons as to recruiting an Independent person to assist the Committee and from this a job description to be prepared and approved prior to

any advertising. A report to be taken to the next Audit & Accounts Committee providing more information for Members to consider.

3.20 The Committee also received reports on:

- Strategic Risk Management
- Internal Audit progress report to date
- The mid-year Treasury Management report for the 2020/21 financial year.

3rd February 2021

3.21 The Committee received a report on the Internal Audit Plan for the financial year 2021/22. It detailed the planned activity for Internal audit and the focus areas of audit for the 2021/22 financial year. In addition to this report, Assurance Lincolnshire made members aware that a questionnaire would be distributed to Members in order to assess their knowledge as skills in order to populate a training plan.

3.22 The Committee also considered three reports relating to the Council's Treasury and capital activities for the 2021/22 financial year. These were the Treasury Management Strategy, the Investment Strategy and the Capital Strategy. Members noted the content of all of these and recommended to Council for their approval.

3.23 Based on the recommendation by the Committee at the meeting on the 25th November 2020 a report was received in relation to the potential appointment of an Independent Member.

3.24 The report advised that at present there were no statutory requirements on the authority to appoint an Independent Member to the Audit and Accounts Committee.

The NAO had recommended that further work be done by government with local authorities and other stakeholders to examine how the use of independent members on audit committees can be increased. This has also been supplemented by the recommendation by Sir Tony Redmond within his review.

The guidance from CIPFA notes both positive and cautionary reasons for such appointments and decisions of this nature need to take account of each local authority's own circumstances.

The Committee discussed how it would be preferable to have a 4 year cycle in place as is also carried out with the Auditors. This would be included when providing to Council.

3.25 The Committee also received reports on:

- The External Auditors annual audit letter for 2019/20
- A review of significant governance issues in the Annual Governance Statement
- Internal Audit progress report to date

21st April 2021

3.26 The Committee received an audit report from Homes England regarding compliance against its grant programme as part of the Council 5-year HRA development programme. The Committee noted its findings.

3.27 The Safety and Risk Management Officer presented a report on the status of the 2021/22 Strategic Risk Register. The report provided a table illustrating the significant changes agreed by SLT to the 2021/22 strategic risk register and a table illustrating the current status of all current strategic risks.

Individual groups working through the risks to develop bespoke action plans and reviewing the current risks as well as setting target risks to identify the potential for lowering the risks once the actions are delivered and management controls put in place.

3.28 The Committee also received reports on:

- Internal audit progress report to date
- Statement of Accounting policies for inclusion within the Statement of Accounts 2020/21
- Counter-Fraud activities between September 2020 and March 2021
- Fraud Risk Assessment undertaken in February

4.0 Conclusion

4.1 As can be seen from the account of the year, the Committee has discharged its responsibilities as per the Constitution.

4.2 The Committee has added value to the organisation, by recommending to Council and appointing an Independent member to the committee. This will add skills to the Committee which will benefit the whole organisation as further scrutiny over the reports presented to the committee will be achieved.

5.0 RECOMMENDATIONS:

That the Committee:

- (a) notes this report of the activity within the year and refer on to Council for noting;

Background Papers

Committee agenda packs
Committee meeting minutes

For further information please contact Nick Wilson, Business Manager – Financial Services on Ext 5317

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