

**AUDIT & ACCOUNTS COMMITTEE**  
**30 SEPTEMBER 2020**

**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 2019/20 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:

**24<sup>th</sup> July 2019**

3.2 The Council approved its Statement of Accounts for the 2018/19 financial year together with the Annual Governance Statement for the same period. This was accompanied by the external auditors audit completion report; their report on the financial statements that were approved.

3.3 The external auditors report detailed that the financial statements gave a true and fair view of the financial position of the Authority as at 31<sup>st</sup> March 2019 and therefore an unqualified opinion on the financial statements.

3.4 This Committee also saw the Annual report of the Head of Internal Audit for the 2018/19 financial year. The report detailed that 99% of the revised audit plan had been completed

which gave rise to a 14% increase in high and substantial assurance reports compared with 2017/18.

- 3.5 Despite this, there had been a 17% increase in high priority recommendations. As such the report described that the areas of Internal Control and Governance were to decrease from “Performing well” to “Performing Adequately”. The areas of Financial Control and Risk continued to be assessed as “Performing Well”. The Director – Resources provided Members with information as to what actions had been taken following the adequate audit findings for Governance and Internal Control.
- 3.6 A further report regarding the internal audit process was tabled, which set out the internal process regarding Internal Audit reports. This report described how reports that are given limited or low assurance, Business Managers would be asked to attend future Audit and Account Committee meetings to update on progress against management actions. This is in order to give the Committee assurance that areas where management actions have been agreed are being implemented. This report had been requested by the Committee in order to set a process of gaining assurance from Business Managers that actions are being implemented. Before this report was tabled, where reports were limited, the Committee would not gain any assurance on that area until the next time the activity was audited, which may be in the next Committee membership cycle.

#### **13<sup>th</sup> November 2019**

- 3.7 As part of the annual cycle the Committee received training from Link Asset Services in relation to its responsibilities regarding Treasury Management. Assurance Lincolnshire also facilitated a training session with members of the Committee regarding the roles and responsibilities of the Committee.

#### **27<sup>th</sup> November 2019**

- 3.8 The Committee was presented with a report by Director Governance and Organisational Development on a Values and Culture Health Check. The recommendation was that the Committee support the commissioning of the health check and that the Chairman of the Committee be selected to be the Member champion and oversee the review work.
- 3.9 This work was to review the ethical culture within the authority to test out how well its rules, procedures and behaviours around good ethical governance are embedded within the organisation. Member surveys had been sent out, but a limited response was received prior to the current pandemic. It was therefore put on hold and will be rescheduled for later in the current year.
- 3.10 The Committee also received a report regarding the self-assessment of the Internal Audit function by Assurance Lincolnshire, and also a self-assessment of the Audit and Accounts Committee. The assessment of the Audit and Accounts Committee was facilitated using CIPFA’s Practical Guidance for Audit Committees questionnaire. An action plan was created from this and 11 actions were identified. Seven of those actions have been completed to date. The below table shows the four actions that are yet to be completed, and gives an update against them:

Self-Assessment area of good practice	Concern	Action	Update
Do the Committee's terms of reference clearly set out the purpose of the Committee in accordance with CIPFA's Position Statement	It was felt that the areas of Partnerships and Collaboration arrangements and supporting the ethical framework were not covered within the TOR for the Committee. Members also were not aware of any specific reports tabled at other Committees, which would give the Council assurance these Partnerships and collaboration arrangements were working effectively	The TOR within the constitution to be updated to include a statement referring to the review of partnership and collaboration arrangements and to review the ethical framework and consider the local code of governance. An annual partnership register report on would be tabled each July considering all Partnerships and Collaborative arrangements. The annual Standards report (that is currently tabled at Policy & Finance Committee) would also be tabled at this Committee for review. Further to this, a review into the current Governance arrangements is due to take place during Q4 of 2019/20 by Assurance Lincolnshire, which will identify any further areas of improvement	This is currently outstanding. In order to update the Constitution, this will need to be tabled at Councillors Commission prior to adoption in the Constitution.  Additionally the work around the Governance review referenced in paragraph 3.9 above is anticipated to be rescheduled for later in the year.  <b>Anticipated resolution: Q2 2021</b>
Is the role and purpose of the Audit and Accounts Committee understood and accepted across the authority	It was felt that it is understood by officers and in essence understood by Members	When updating the constitution for the items above, this will be re-iterated to Members regarding the roles and responsibilities of the Committee.	See item above <b>Anticipated resolution: Q2 2021</b>
Do the Committee's terms of reference explicitly address all	It was felt that the areas of Partnerships and Collaboration arrangements and supporting	The TOR within the constitution to be updated to include a	See item above <b>Anticipated resolution: Q2 2021</b>

<p>the core areas identified in CIPFA's Position Statement (areas relating to: a) Assurance framework, including partnerships and collaboration arrangements and b) supporting the ethical framework)</p>	<p>the ethical framework were not covered within the TOR for the Committee. Members also were not aware of any specific reports tabled at other Committees, which would give the Council assurance these Partnerships and collaboration arrangements were working effectively</p>	<p>statement referring to the review of partnership and collaboration arrangements and to review the ethical framework and consider the local code of governance. An annual partnership register report on would be tabled each July considering all Partnerships and Collaborative arrangements. The annual Standards report (that is currently tabled at Policy &amp; Finance Committee) would also be tabled at this Committee for review. Further to this, a review into the current Governance arrangements is due to take place during Q4 of 2019/20 by Assurance Lincolnshire, which will identify any further areas of improvement. It is proposed for this Committee to own this piece of work</p>	
<p>Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory</p>	<p>As the Committee received new members for the current financial year, it was felt that this activity is currently outstanding</p>	<p>As the members of the Committee have not yet had any formal training on their responsibilities (see previous item) it is proposed that during July 2020 this assessment would take place. This would then allow members to evaluate themselves against the skills framework, based on a years' experience of</p>	<p>A workshop with members of the Committee is currently being created in order to assess skills of the members. Once this has been built, a date will be set for this session. <b>Anticipated resolution: Q1 2021</b></p>

		being a member of the Committee	
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3.11 The Committee also received reports on:

- Midyear treasury management update report
- External Auditors annual audit letter
- Counter fraud activity report
- Internal Audit progress report

3.12 The Business Manager – Administrative Services was in attendance for the meeting to update Members on the Procurement Cards audit which had received limited assurance. The Committee heard that 11 actions had been put in place to address issues highlighted within the report. There had been no action in relation to two of the risks due to restrictions from the external provider.

**5<sup>th</sup> February 2020**

3.13 The Committee received a report reviewing the impact of an independent member appointment to the Committee. This was prompted from the action plan as part of the self-assessment process. After a debate which included inputs from internal and external audit members agreed that the proposal to co-opt an independent member was not to be agreed at that time.

3.14 The Committee noted a report which updated members on progress against significant governance issues that had been identified within the Annual Governance Statement as approved in July 2019.

3.15 The Committee also noted a report from the Council’s Safety and Risk Management Officer regarding the current status of the Council’s Strategic Risks.

3.16 The Committee also received reports regarding Treasury Management for the 2020/21 financial year. Three reports were tabled relating to: Treasury Management Strategy 2020/21, Capital Strategy 2020/21 and Investment Strategy 2020/21. All three reports are intrinsically linked in relation to the Council’s treasury activities. They set out the prudential indicators that the Council must set and monitor against, the Minimum Revenue Provision (MRP) policy, the borrowing strategy and the investment strategy. These reports were all approved and recommended to Council for adoption and use during 2020/21.

3.17 The Committee received the Combined Assurance Report, which demonstrates the level of assurance the Council has in its activities at a set point in time. This therefore identifies gaps and assists in the production of the Internal Audit Plan for the following year. This report was considered and noted by the Committee.

3.18 The Internal Audit Plan for the 2020/21 year was tabled for the Committees approval. This plan was developed by Assurance Lincolnshire to demonstrate how assurance could be given on:

- Financial Governance
- Governance and Risk
- Critical Activities
- Projects
- ICT

The Internal Audit Plan, as presented, was approved.

3.19 The Committee also received reports on:

- Internal Audit progress report

#### **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 It has also assessed itself against the CIPFA Practical Guidance for Audit Committees questionnaire and drawn up an action plan for areas that did not conform to best practice.

4.3 The Committee has added value to the organisation, as it requested the Internal Audit Process report to clearly set out when Officers will attend the Committee in order for the Committee to gain the assurance that areas of identified weakness are being resolved.

#### **5.0 RECOMMENDATIONS:**

That the Committee:

- (a) notes this report of the activity within the year and refers 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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