

Audit and Governance Committee Annual Report 2021/22

Introduction

This is the annual report of the Council's Audit and Governance Committee for the 2021/22 municipal year. It is prepared in accordance with recommended guidance and seeks to demonstrate the Council's commitment to operating the highest standards of governance.

This report describes the role of the Committee, its structure and membership, and how it has successfully fulfilled its terms of reference and made a valuable contribution to the Council's control, risk, and governance environments.

This report will be presented to full Council and published on the Council's website.

Foreword from the Chairman

I am pleased to present this annual report which sets out the role of the Audit and Governance Committee and how it has discharged its terms of reference during 2021/22.

The Committee forms an important role in helping the Council maintain its reputation for high standards of governance, and financial management particularly.

Needless to say, it has been a very busy and full year. The Council, and local government generally continues to face pressure from many angles, a constant pressure on financial resources, exceptional demand for services and not least how it has needed to recover from the pandemic, the effects of which continue. Alongside those pressures the Council continues to be forward looking and aspirational and of course effective governance plays an important part in that. The Glassworks development is a prime example of the Council's ambition, and this has been of particular focus for the Committee.

We have welcomed the new approach to strategic risk management and the opportunity to hear the relevant Executive Directors explain in detail how they are managing the risks they are responsible for. This has helped raise the profile of the Committee significantly.

I would like to thank my Councillor colleagues and the independent members for their commitment, support, and input to the Committee to constructively challenge and influence the Council's governance arrangements.

The financial and general economic climate the Council and local government faces is continuing and is likely to worsen. This in turn focusses all our attention to ensuring the Council has appropriate control, risk, and governance arrangements in place to help meet those demands.

I would also like to thank the officers across the Council who have attended and supported the Committee to present reports and answer questions. The openness that is clearly displayed makes a significant contribution to the assurances the Committee receives.

I look forward to helping the Committee develop further in the new year.

Councillor Phil Lofts

Role and Structure of the Audit and Governance Committee

The general remit of the Committee is:

1. To provide independent assurance of the adequacy of the risk management framework and the associated control environment.
2. To provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
3. To oversee the financial reporting process.
4. To promote the application of and compliance with effective governance arrangements across the Authority and its partner organisations.

The detailed terms of reference can be accessed via this link (page 24 of the Council's constitution document) [Audit and Governance Committee Terms of Reference](#)

The Committee meets seven times during the municipal year. Meetings cover a range of areas with the Committee receiving various reports and presentations to provide information and assurance regarding the Council's control, risk, and governance arrangements. The broad areas cover:

- Internal Control and Governance Environment
- Anti-Fraud
- Corporate Risk Management
- Internal Audit
- External Audit
- Financial Reporting and Accounts
- Other Corporate Functions that contribute to the Council's Governance Framework

The Audit and Governance Committee comprises nine people in total, four elected councillors (two Labour, one Conservative and one Liberal Democrat) and five independent members. The membership of the Committee is believed to be unique amongst local authorities in having a majority of independent members and shows the Council's commitment to effective challenge and transparency. The CIPFA guidance recommends that an audit committee has at least one independent member.

One independent member left the Committee at the end of her appointment term in April 2021 at the end of the previous municipal year.

The Committee is chaired by Councillor Phillip Lofts. The vice-chair is Mr. Steve Gill, an independent member.

The other members of the Committee are:

Councillor Robert Barnard
Councillor Steve Hunt
Councillor Ken Richardson

Mrs Kathryn Armitage

Mr Paul Johnson

Mr Michael Marks

One position was vacant during the year (subsequently filled by Mr. Gary Bandy from June 2022)

Members' Attendance

The municipal year runs from May to April and between then for the 2021/22 year, the Committee had 7 meetings. Below is a table showing the attendance at the meetings:

Member	Possible Meetings	Meetings Attended	% of Meetings Attended
Councillor Phillip Lofts (Chair)	7	5	71%
Councillor Robert Barnard	7	5	71%
Councillor Steve Hunt	7	6	86%
Councillor Ken Richardson MSc	7	5	71%
Mr. Steve Gill (Vice Chair)	7	5	71%
Mrs. Kathryn Armitage	7	7	100%
Mr. Paul Johnson	7	7	100%
Mr. Michael Marks	7	7	100%

The Work of the Audit and Governance Committee in 2021/22

The Committee's work across the areas of responsibility are summarised below.

Internal Control and Governance Environment

The Committee has reviewed and approved the Local Code of Corporate Governance. The Annual Governance Review process was considered followed by the draft and final Annual Governance Statements for 2020/21. The Committee has also received regular updates regarding the Annual Governance Statement action plan.

The consideration of the Annual Governance Statement (AGS) is an important element of the Committee's responsibilities. The Committee was influential in the preparation of the AGS for 2020/21.

Anti-Fraud

The Committee considered the Annual Fraud Report along with the Anti-Fraud Plan and Strategy. During the various meetings, Committee members sought assurances on the work undertaken regarding the prevention of fraud and how issues regarding fraud were communicated. The Committee acknowledged the positive impact of the activities undertaken in the Fraud Awareness Week. Of particular interest and focus was the Committee seeking information and assurances regarding the controls in place and response to the bank mandate fraud that the Council was a victim of in June 2021.

Corporate Risk Management

The Committee received reports and presentations regarding the change in the risk management approach. At each meeting the Committee considered various corporate areas of risk through presentations delivered by the responsible Executive Director.

These sessions have been received very positively by the Committee in enabling a deeper insight into the risk management process, but also and particularly, the detail of the main strategic / corporate risks being managed by the Council's Senior Management Team. The development of the new approach to risk management and how this is presented to the Committee is seen as welcomed and significant improvement. The attendance of the relevant Executive Directors at every meeting has also raised the profile of the Committee.

Internal Audit

The Committee received regular reports from the Head of Internal Audit, Anti-Fraud and Assurance via, quarterly progress reports, the audit planning process and final audit plan, and the Head of Internal Audit's annual opinion report.

The Committee also received a report and subsequent assurances following the External Quality Assessment review undertaken on the Internal Audit function's compliance with professional standards.

The Committee regularly sought information and assurances regarding the delivery of the audit plan and management's implementation of agreed actions.

External Audit (Grant Thornton)

The Committee received regular updates and reports from Grant Thornton, the Council's appointed external auditor. A representative from Grant Thornton attended all committee meetings either virtually or in person to give updates and reports and was present especially for discussions around the external audit plan and presentation of their statutory reports.

Members raised questions in relation to the delivery of the audit plan given the pressures on the external audit firms to meet statutory deadlines, and in turn concern about any reputational damage to the Council should those deadlines be missed.

The Committee was assured however of the positive relationship with the Council's Section 151 Officer and the Finance Team in the preparation of high-quality statutory accounts.

Financial Reporting and Accounts

The Committee received the statutory Statement of Accounts (draft and final versions) and sought assurances on the processes in place to prepare the accounts and meet the necessary and complex accounting standards. The Committee also received reports covering the Treasury Management.

The Corporate Finance and Performance reports have been shared with the Committee to provide assurances regarding the financial management arrangements in place.

The Committee was particularly interested and challenging around various aspects of corporate financial management utilising particularly the experience and expertise of the independent members.

Other Corporate Functions

Over the course of the meetings various Service Directors and Heads of Services presented assurance reports on other aspects of the Council's governance framework.

These covered:

- The Glassworks project
- The Council's Covid -19 Response
- Information Governance and Cyber Security
- Data Protection Officer updates
- Human Resources
- Health and Safety Resilience
- Confidential Reporting (Whistleblowing) Annual Report
- Performance Management
- Asset Management

- Equality and Inclusion
- Local Government and Social Care Ombudsman Annual Letter

These reports and presentations provided the Committee with a broader understanding, perspective, and assurance on the wider governance framework of the Council.

Training and Awareness Sessions

To support the Committee in enhancing their knowledge and understanding a number of training and awareness sessions were held. These were delivered by Service Directors, Head of Services, and officers from within the Council. The subjects and themes for these training sessions are suggested by members of the committee.

Themes over the time period of this report include:

- Lessons from Public Interest Reports
- Finance updates and Statement of Accounts
- Treasury Management
- Glassworks

Committee Effectiveness

As well as seeking assurances from management regarding the effectiveness of the Council's control, risk and governance arrangements, the Committee undertook its own review of effectiveness.

Each Committee member completed a questionnaire seeking views on if/how the Committee could be improved and the areas where individually and collectively additional training was required.

The key issues and areas for improvement resulting from the self-assessment were:

- Improving the impact, influence, and profile of the Committee
- Understanding the work of the Council's Overview and Scrutiny Committee

Specific areas of training were also identified:

- Procurement arrangements
- Partnership and collaboration governance
- Environmental governance

These areas were discussed further by the Committee at their annual development session.

CIPFA have also published revised guidance regarding local government audit committees. This guidance has been shared with the Committee and will form the basis of further analysis and comparison to determine if there are other areas where the Committee's effectiveness could be improved.

Conclusion

The Committee delivered high quality challenge to senior management across the full range of its responsibilities. Officers have welcomed this professional and constructive challenge to help maintain and improve where needed, effective controls, risk management and governance. The Committee is highly respected for its role and expertise, and important place in the Council's overall governance framework.