

North Somerset Council

REPORT TO THE	AUDIT COMMITTEE
DATE OF MEETING:	27TH JANUARY 2022
SUBJECT OF REPORT:	AUDIT COMMITTEE ANNUAL REPORT
TOWN OR PARISH:	NONE
OFFICER/PRESENTING:	COUNCILLOR JOHN CATO – CHAIR OF THE AUDIT COMMITTEE
KEY DECISION:	NO

RECOMMENDATIONS:

The Audit Committee approves the Annual Report for 2020/21 at Appendix 1.

SUMMARY OF REPORT

The Audit Committee has specific terms of reference given to it from Full Council and as such is required to report back annually to Council on its activities. Appendix 1 is the proposed summary report for approval by the Audit Committee.

The Committee is requested to consider the Annual Report and recommend its approval by Full Council.

1. POLICY

There is no statutory obligation to have an Audit Committee, however they are widely recognised as a core component of effective governance as laid out in best practice from a number of professional bodies. The Audit Committee therefore has a key role in advising the council on the adequacy of its financial governance and other management arrangements for achieving the organisation's objectives.

2. DETAILS

Appendix 1 sets out a report with details a high-level summary of the activities of the Committee. It provides a commentary over key areas of financial and corporate governance and associated assurance activities including:

- Internal audit
- External audit
- Risk management
- Governance
- Anti-fraud and corruption
- Audit Committee performance

The Annual Report also incorporates the Committee's outline work programme for 2021/22, as shown in Appendix 2. In noting this work programme, it should be acknowledged that the programme may change during the year to accommodate any emerging significant governance, internal control, or risk issues.

Benefits for Customers/ Residents

The committee's work is based around ensuring the council's systems of control and arrangements for the management of risk are effective. This effectiveness is central to the council achieving its corporate objectives. In addition, a strong control environment and effective risk and governance arrangements enable the council to secure its assets and ensure that they are used in the best interests of customers and residents of the council.

3. CONSULTATION

Prior to its production, this report has been discussed between the Chair and Vice-Chair of the Audit Committee, the S151 Officer, and the Head of Audit and Assurance. Given the nature of the report, no further consultation and engagement was necessary beyond these interactions and those that there have been with the Committee over the period covered by the report. Committee Members will have the opportunity to comment and make suggestions in the meeting before it is approved.

4. FINANCIAL IMPLICATIONS

There are no direct financial implications in relation to this report.

5. LEGAL POWERS AND IMPLICATIONS

There are no direct legal implications from this report which is focussed on a high-level summary of the activities of the Committee.

6. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

There are no direct environmental implications from this report which is focussed on a high-level summary of the activities of the Committee.

7. RISK MANAGEMENT

The Audit Committee is tasked with ensuring that there are effective arrangements within the Council for managing significant risks. This responsibility is reflected in the Audit Committee's Terms of Reference. An effective Audit Committee demonstrates good governance in that democratically elected Members carry out an independent scrutiny role on behalf of the Community. This helps to ensure that the Council is delivering good value to its residents from its services and is managing its key risks appropriately.

8. EQUALITY IMPLICATIONS

There are no specific equality implications. The elected members serving on the Audit Committee are representative of the council's political balance.

9. CORPORATE IMPLICATIONS

Good Corporate Governance and Risk Management is the responsibility of all officers and Members of the Council.

10. OPTIONS CONSIDERED

None.

AUTHORS

Councillor John Cato – Chairman of the Audit Committee
John.cato@n-somerset.gov.uk

Peter Cann - Audit West
Peter.cann@n-somerset.gov.uk

BACKGROUND PAPERS

Members requiring further information are requested to refer to the agenda, reports and minutes of the Committee meetings posted on the council's website.

<https://n-somerset.moderngov.co.uk/ieListMeetings.aspx?Committeeld=153>

Appendix 1

AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL - 2020/21

1. INTRODUCTION

This is the fifteenth annual report of the Committee since it was established by the Council in July 2006. It covers the work undertaken from August 2020 to July 2021. The purpose of this report is to comply with the Constitution that requires the Full Council to receive a report from the Audit Committee, detailing its activities and effectiveness for the year and the proposed work programme for the following year. The Committee's annual report is one of the means by which the Council is assured that the Committee is carrying out its role effectively.

2. GENERAL APPROACH

The Audit Committee is committed to the principles of openness, effectiveness, and collaboration. The Committee is a key component of the Council's governance framework. Its function is to provide an independent and high-level resource to support good governance and strong public financial management. The purpose of the Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit activity it makes an important contribution to ensuring that effective assurance arrangements are in place.

To this end, in the last year the Audit Committee has held informal working group meetings once or twice a month over the year to keep abreast of issues which may be of concern to it and to receive appropriate briefings/ updates from officers. Discussions have given consideration to the following main areas:

- Internal Audit
- Risk Management
- Internal Control Frameworks
- Council Performance Improvement
- Information Management and Accessibility
- Climate Emergency Governance and Internal Control
- Audit Committee Training
- External Best Practice and Peer Education
- Asset and Treasury Management

And has:

- Promoted access to the Audit Committee and to Audit Committee meetings to all members and scrutiny committees
- Maintained dialogue with Audit Committees in other authorities in pursuit of best practice, continuous improvement and to understand lessons learned
- Identified gaps in Audit Committee skills and undertaken training
- Arranged Informal regular meetings with officers, auditors, and executive members to monitor performance, including monthly meetings with the Chief Executive and Director of Corporate Services/ S151
- Completed a 'deep dive' into the governance process over major projects

- Challenged the way that risks are presented to members to ensure that members are more aware when making decisions and caused action to be initiated on improving the council's Risk Management frameworks.
- Made active progress towards influencing Climate Emergency metrics.
- Established peer connections outside of North Somerset Council.

3. REVIEW OF WORK UNDERTAKEN IN 2020/21

a. Financial Governance – Annual Accounts

Due to the COVID lockdown and impact the statutory date for sign off of the Annual Accounts had been delayed. Local authorities were required to commence the public inspection period on or before the first working day of September 2020.

b. Financial Governance – Treasury Management

- The Committee acts as a scrutiny function for the Council's Treasury Management arrangements as recommended by CIPFA.
- The Committee formally received reports on the outturn of performance for the year 2020/21 including a mid-year update on performance and the strategy for the year 2021/22. Members expressed their thanks to the officers and advisors on explaining the complexities and technical aspects of Treasury Management and were pleased to see that the Council was taking a balanced view in how to exploit opportunities in this area to deliver increased value back to the Council. The Chairman also noted that he wished to have further discussions to clarify his understanding around the reporting process of the Property Investment Board.

c. Financial Governance - External Audit

- Alongside the audit of the accounts for 2019/20 which were examined during the last 12 months the external auditor also conducted work in relation to concluding a satisfactory VFM opinion for the Council following assessments of our financial resilience, economy, efficiency and effectiveness and a Satisfactory review of our main grant returns.
- The external auditor also presented their audit plans. No significant variances were proposed from the previous audit approach and update reports on their work continued to be presented to the Committee alongside references to key national reports and reviews which could impact on the governance framework.
- Information was also provided to the Committee around the updated Value for Money arrangements and the audit fees for 2020/21 which were to be agreed.

d. Corporate Governance (Including Risk Management) –

- The Accounts and Audit Regulations require the Council to carry out an annual review of its governance arrangements, and to produce an annual statement detailing the results of that review.
- Whilst there were no significant issues identified, the Committee did recognise through the Annual Governance Statement the state of the financial challenge facing the Council, not least due to COVID-19. The interim Director of Finance and Property

also provided members with a verbal update on the Senior Management Review, which had been concluded by the Chief Executive.

- iii. During the year the Committee received updates on the Council's key risks. This included a presentation on Corporate Risk Register, COVID-19 Risk Register, and the EU Transitions Risk Register. The Committee spent time discussing the scale of these risks along with progress against actions.
- iv. The Committee have also engaged in further conversations with the Chief Executive, the Director of Corporate Services/ S151 and the Head of Business Insight, Policy and Partnerships who have brought a commitment to a standard model dashboard for risk assessment and reporting which has now been implemented.
- v. The Audit Committee expressed interest in respect to the governance, transparency, and visibility to Councillors over major projects, and were wanting to learn lessons for the future for other major projects. A deep dive exercise was completed by the Committee, which followed with a range of recommendations being brought forward to the Chief Exec, S151 and appropriate Executive members. Implementation of these recommendations has already been partially implemented.

e. Corporate Assurance -

Internal Audit & Counter Fraud

- i. The Committee was satisfied with the balance of the 2021/22 plan in relation to the Council's key corporate risks as well as the mix of its planned projects, unplanned commissions including COVID-19 related work, and follow-up of previous reports.
- ii. In relation to performance the Committee reviewed the outcomes of the service against its key performance indicators for 2020/21, notably high-risk audits and the impacts of COVID-19 unplanned work and investigations, alongside a number of other key indicators.
- iii. The committee noted the annual opinion on the internal control framework and that with increased pressure on budgets as well as a shift to homeworking, choices on the degree of internal control had to be made and there was therefore an imperceptible rise in the level of the risk being accepted.
- iv. The Committee received a detailed briefing of the elements of Counter-Fraud work in reducing and eliminating fraud and corruption within the Council's activities and monitored progress.

f. Audit and Assurance Annual Report

This was the closing Internal Audit Annual Report to the Committee for the financial year 2020/21. Also included was a summary of audit performance and key issues, as well as the formal opinion on the internal control framework.

g. Audit and Assurance Plan

This report described the reasonable assurance model for internal audit and summarised the Audit and Assurance work plan as identified and prioritised by internal audit.

h. Internal Audit Charter

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on its control environment. Internal Audit helps the organisation to achieve its objectives through a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control, processes. Its mission is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.

i. Awareness & Briefings

i. Updates and briefings continue to be a strong part of the Committee's approach to raising awareness of key governance issues with members and several briefings were given this year through the normal meeting cycle which included -

- Impact of COVID-19 on Council Finances
- COVID-19 Risk Register
- Role of the Committee
- External Audit
- Internal Audit
- Treasury Management
- Annual Accounts
- Fraud Prevention/ Counter-Fraud inc. Whistleblowing, Anti-Money laundering and Anti-Bribery and corruption
- Risk Management, Risk Assessment and Risk Registers

ii. This approach continues to be welcomed and has resulted in constructive and valuable debate of individual topic areas which will continue into 2021/22.

4. AUDIT COMMITTEE TRAINING

The Chair and Vice-Chair are keen that external formal training for all Audit Committee members is undertaken as a regular annual process.

As well as attending the briefings identified in this report, in addition some Audit Committee Training has been achieved by free courses identified by audit committee members and voluntarily completed, particularly Leadership Essentials for Audit Committee Chairs and Vice-Chairs 2 day residential by the Chair and Vice-Chair, and CfPS webinars and training.

The committee is looking to find ways to achieve more external training for all committee members in the forthcoming year.

5. WORK PLAN FOR 2021/22

The workplan is kept under review in the informal and formal meetings of the committee and in discussions with the officers and auditors. Planned subjects for 2021 – 2022 are shown in detail in Appendix 2, however it is acknowledged that it may not be possible to cover all of these areas within the financial year and thus the work plan will be update as necessary.

6. MEMBERSHIP AND SUPPORT

- i. Councillor John Cato is the Chair of the Committee. The Vice Chair is Sandra Hearne, and the other members are Patrick Keating, Marcia Pepperall and Richard Tucker. There are currently no independent co-opted members. The make-up of the Committee will be kept under close review during the year.
- ii. The Committee is supported by a range of officers, notably the Director of Corporate Services (S151 Officer), engagement leads from Audit West, the Head of Finance and Democratic Seri.
- iii. The external auditors are currently represented by an Engagement Lead and Audit Manager from Grant Thornton.
- iv. The Committee is in frequent contact with Audit committees from other authorities to exchange views, methods of working, and ideas.

Audit Committee Formal Meetings Work Plan - which set out provisional agendas for forthcoming meetings - Revised				Jan-21	Apr-21	Jul-21	20 Sept 21	25 Nov 21	27 Jan 22	28 Apr 22	Jun-22	Sep-22
Title	Frequency	Lead Officer	Purpose of Report									
Standing items to cover statutory functions						informal						
Internal Audit (IA) updates and Annual Report	Quarterly	Head of Internal Audit	Internal Audit Assurance									
Counter Fraud - Annual Anti-Bribery, Fraud and Corruption Policy	Annual	Head of Internal Audit	Fraud and corruption detection									
Adoption of minutes	Quarterly	Committee chair/ Dir Corporate	Review of actions and matters									
Risk Management - Internal Audit - covered in annual report	Annual	Head of Internal Audit	Reasonable Assurance model									
Risk Register updates - NSC	Quarterly	Head of Business Insight, Polic	Corporate Governance monitor									
External Auditor (EA), plan and progress update	Six monthly	External Auditors	To provide those charged with									
Risk Management Framework Update	Annual	Head of Business Insight, Polic	Risk Management Governance									
Annual Audit Letter (EA)	Annual	External Auditors	To provide those charged with									
Annual Governance Statement (Draft)	Annual	Director of Corporate Services	To present the draft AGS for co									
Annual Governance Statement (Final)	Annual	Director of Corporate Services	To present the AGS for consid									
Annual Letter of Representation	Annual	Committee chair/ Dir Corporate	Letter of Representation									
Annual Statutory Accounts (Draft)	Annual	Head of Finance	Draft Statement of Accounts									
Annual Statutory Accounts (Audited)	Annual	Head of Finance	Audited Statement of Accounts									
Audit Committee Workplan	Annual	Committee chair/ Dir Corporate	Member Information and Assur									
External Audit (EA) Findings Report/Audit Opinion	Annual	External Auditors/Head of Finan	To provide those charged with									
Grant Certification Report (EA)	Annual	External Auditors/Head of Finan	Financial Governance and Assu									
Report of Work Undertaken by Audit Committee	Annual	Committee Chair/ Head of Inter	Member Information and Assur									
Accounting Policies	Annual	Head of Finance	Finance Governance and Assu									
Internal Audit Plan - Draft	Annual	Head of Internal Audit	Draft plan for consultation									
Internal Audit Plan	Annual	Head of Internal Audit	Annual Internal Audit and Assu									
Treasury Management Strategy (Draft)	Annual	Head of Finance	Treasury Management Strategy									
Treasury Management Strategy	Annual	Head of Finance	Treasury Management Strategy									
Treasury Management (TM) performance/ outturn	Six monthly	Head of Finance	Annual Treasury Management									
Business Continuity Governance	Annual	To be confirmed	Risk Management Governance									
Governance - ad hoc reports when changes happen, a risk arises which requires additional assurance or as a result of audit recommendations												
Major Projects Governance Strategy Update	When required	Head of Major Projects	Major Projects Governance									
Outsourced Services Governance Strategy Update	When required	Director of Corporate Services	Strategic Procurement Govern									
Procurement Governance Strategy Update	When required	Director of Corporate Services	Outsourced Services Governan									
Support Services Contract Governance Briefing	When required	Director of Corporate Services	Support Services Governance									
Critical Incident and Emergency Response Audit and Governan	When required	Director of Corporate Services	Corporate Governance monitor									
Information Technology Audit and Assurance	When required	Director of Corporate Services	IT Governance Assurance									
Procurement Processes Governance Assurance	When required	Director of Corporate Services	Procurement Governance Assu									
Information Security Audit and Assurance	When required	Director of Corporate Services	Security Gopvberance Assura									
Third Party Outsourced Services Governance Assurance	When required	Director of Corporate Services	Delegated/Outsourced Service									
Directorate Report on organisation and governance.	When required	As required	Directorate Governance and Int									
Constitution Review and Update briefing - informal	When required	Assistant Director - Legal and	for recommendation of propose									
Significant Partnerships Governance Strategy Update	When required	Director of Corporate Services	Governance, Risk Management									
Contract Standing Orders	When required	Assistant Director - Legal and	Principles and structure of gove									
Ethics and Standards	When required	Internal Audit?	Ethics and Standards Assuran									
HR matters	When required	Director of Corporate Services	HR Governance									
Financial Regulations	When required	Head of Finance	Finance Governance and Assu									
Annual Training - suggest that training needs analysis is completed to ensure focussed and proportiona												
AC Member Training - stage 1 - plan/specify/establish		Director of Corporate Services/	Redmond Review - Audit Comn									
AC Member Training - stage 2 - training commissioned		Director of Corporate Services/	Redmond Review - Audit Comn									
Principles of Governance, Assurance and Audit		Director of Corporate Services/	To ensure skills and knowledge									
Role of Audit Committee and deliverables		Director of Corporate Services/	To ensure skills and knowledge									
Role of External Audit and deliverables		Director of Corporate Services/	To ensure skills and knowledge									
Role of Internal Audit and deliverables		Director of Corporate Services/	To ensure skills and knowledge									
Role of S151/Finance		Director of Corporate Services/	To ensure skills and knowledge									
Role & Responsibilities of Senior Officers		Director of Corporate Services/	To ensure skills and knowledge									
Annual Accounts		Director of Corporate Services/	To ensure skills and knowledge									
Internal Controls		Director of Corporate Services/	To ensure skills and knowledge									
Risk Management		Director of Corporate Services/	To ensure skills and knowledge									
Business Performance		Director of Corporate Services/	To ensure skills and knowledge									
Development work - items to be brought forward and planned in at later stage												
External Independent Members - stage 1 - plan/specify/review/recruit		Head of Democratic Services/N	Redmond Review - Audit Comn									
External Independent Members - stage 2 - induction		Head of Democratic Services/N	Redmond Review - Audit Comn									
Voice of the Customer Report?		Customer Experience Officer/V	Customer/Resident Experience									
Continuous Improvement												