



Worcester
CITY COUNCIL

WORCESTER CITY COUNCIL

ANNUAL REPORT OF THE

AUDIT AND

GOVERNANCE COMMITTEE

2018/19

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FOREWORD

Welcome to the Annual Report of Worcester City Council's Audit and Governance Committee for the Municipal Year 2018/19.

The purpose of the Annual Report is to provide Members with an understanding of the role of the Committee and to highlight the work that it has undertaken over the last twelve months.

The Chartered Institute of Public Finance and Accountancy – CIPFA - states that the purpose of an Audit 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 annual governance processes."

Committee Members have been diligent and focused on undertaking this role and I would like to thank them all for the individual contributions that they have made over the last year. There has been constructive questioning by Members on the reports that have been presented and I am pleased to say that there have been no major areas of risk or concern for the Committee to highlight or report back to the Council.

To provide on-going assurance, the Committee has been ably supported by our officers in presenting reports and answering our questions. The former Deputy Director - Governance, Tim O'Gara, left Worcester City Council in October 2018. I would again like to extend my thanks for his hard work and honest advice offered in support of the Committee. Sian Stroud has since been appointed to the role and I look forward to working with her.

I would also like to express my thanks to Ernst & Young, the Council's External Auditors, for their advice and support offered over the course of the year.

Finally, I would like to thank former Councillor George Squires for his support as the Vice-Chair of the Committee during the year.

Councillor Alan Amos
Chairman
September 2019

1. Background

- 1.1 The purpose of the Committee is to provide independent assurance to our members of the adequacy of the risk management framework and the internal control environment. The Committee shall work in co-operation with the Council's statutory officers on corporate governance issues. The Audit & Governance Committee provides independent review of the Council's governance and is responsible for risk management and control frameworks and oversees the financial management and annual governance processes. It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- 1.2 All Councillors are eligible to be Members of the Committee. The size of the Committee shall be determined from time to time by the Council. The Committee may recommend to Council the appointment of one other person with particular skills that will be useful to the committee as a non-voting co-optee.

2. The Role of the Committee

- 2.1 The following matters are within the remit of the Committee:
- to consider all issues relating to audit matters, both internal and external;
 - to monitor and review the effectiveness of risk management systems, including systems of internal control;
 - to consider any reports from the Chief Internal Auditor relating to matters within the remit of the Committee;
 - to consider the preparation and monitoring of the internal audit plan;
 - to approve summary reports of each internal audit;
 - to agree the external audit plan;
 - to consider reports from the external auditor, including value for money, systems and final accounts audits;
 - to review and monitor the performance of internal audit;
 - to review and monitor the anti-fraud strategy and initiatives;
 - to review the Council's transparency arrangements;
 - to review and monitor corporate governance matters for example by approving the Annual Governance Statement prior to its being signed off by the Leader of the Council and the Managing Director and the Annual Statement of Accounts before its approval by the Council; and
 - to consider the external auditor's annual report on the Council's statement of accounts income and expenditure.

3. Meetings of the Committee

- 3.1 For the 2018/19 Municipal Year, the Committee membership was as follows:
- Councillors Alan Amos (Chair), Pat Agar, Allah Ditta, Stephen Hodgson, Andy Roberts, George Squires (Vice-Chair), Richard Udall and Neil Laurenson.
- 3.2 The Committee met quarterly in 2018/19, in July, September, December and March. Meetings were open to the public.

3.3 Matters considered by the Committee in 2018/19 included:

- Annual Governance Statement
- Annual Statement of Accounts
- Internal Audit Work Plan and Progress Reports
- External Audit Reports
- Other governance issues within the remit of the Committee

3.4 More information on these topics is set out below.

4. Annual Governance Statement

4.1 The Annual Governance Statement (AGS) is a document which provides the Council and its stakeholders with information about the arrangements in place for good governance and the robustness of those arrangements, and an assurance about the degree of compliance and the need for improvement in governance arrangements.

4.2 The Committee was satisfied that the Annual Governance Statement combined with the Internal Audit report and the External Auditors report all combine to reflect the strong governance arrangements in place at the Council and the effective operation of those arrangements.

4.3 The Committee approved the AGS in July 2018 for sign off by the Leader of the Council and the Head of Paid Service. The Statement was subsequently included in the Annual Statement of Accounts.

4.4 The Council's Code of Corporate Governance will be reviewed in line with the new CIPFA Good Governance Framework and to reflect the transition to the committee model of governance.

4.5 A report was presented by the Deputy Director of Governance at the March 2019 meeting which proposed a review of the Local Code of Corporate Governance and the introduction of Corporate Code of Governance Action Plan. The revised Code and proposed Action Plan was subsequently approved at the July 2019 Committee meeting.

5. Internal Audit

5.1 The Worcestershire Internal Audit Shared Service (WIASS) produces a risk based Annual Plan, which is considered by the Committee. WIASS delivers its programme for the year in conformance with the UK Public Sector Internal Audit Standards as published by the Institute of Internal Auditors.

5.2 The Committee receives reports at each meeting on progress made by WIASS towards meeting its objectives as set out in the Plan and the results of the work that they have undertaken. This includes details of internal audits that are conducted over the course of the year, the National Fraud Initiative and progress with follow-up audits. The Head of Service for the Worcestershire Internal Audit Shared Service attends each meeting to highlight the main points and answer questions from Members.

- 5.3 Overall the audits undertaken in 2018/19 have provided a satisfactory outcome. The Committee has been advised that areas where some risk mitigation requirements were required have been discussed with the relevant managers and action plans have been formulated and agreed to address the matters identified.
- 5.4 The Committee considered the Worcester City Council Draft Internal Audit Plan and the Internal Audit Shared Services key performance indicators for 2019/20 at its December 2018 meeting. This was subsequently approved at the March 2019 meeting.
- 5.5 A report was presented at the September 2018 meeting by the Head of Internal Audit Shared Service on the revised Internal Audit Charter. WIASS operates an Internal Audit Charter which sets out the standards to which it operates for this Council. It acts as a quality control measure defining and providing details in regard to the purpose, authority, and responsibility of the internal audit activity to those in governance. The Charter was last reviewed in July 2017 and will continue to be updated to reflect changing requirements in respect of the Audit Service, Standards and external assessment. The Committee approved the revised Internal Audit Charter.

6. Annual Statement of Accounts

- 6.1 The Committee considered the findings and associated recommendations of the external auditors, Ernst & Young, on the annual Statement of Accounts including any Audit Findings for Worcester City Council, together with their proposed Letter of Representation.
- 6.2 The Auditors provided an unqualified audit opinion on the Statement of Accounts, and an unqualified Value for Money conclusion. The audit work did not identify anything that by virtue of its size would warrant an adjustment to the Statement of Accounts and only three minor adjustments to the notes. It was acknowledged that the Council continued to have good arrangements in place to produce complete and well supported accounts by the statutory deadline.

7. External Audit

- 7.1 The Council's external auditors for 2018/19 were again Ernst & Young.
- 7.2 The external auditors produce an Annual Audit Plan, which is considered and agreed by the Committee. The Plan sets out their proposed approach to planning and delivering their audit and the fees for the forthcoming year.
- 7.3 Ernst & Young also produce an Annual Audit Letter, which summarises the key messages from the work of the Council's external auditors for the preceding year, including:
- Financial Statements;
 - Value for Money Conclusion;
 - Whole of Government Accounts submission;
 - Certification of Grant Claims and Returns;
 - Audit Fees and Audit Certificate.

7.4 Ernst & Young issued an unqualified opinion on the Council's 2017/18 Financial Statements, the Value for Money arrangements and the Whole of Government Accounts submission. Their opinion confirmed that the financial statements gave a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council. An Audit Certificate was issued on 31st July 2018.

8. Other governance issues within the remit of the Committee

8.1 The Committee also considered a number of other governance issues during the 2018/19 Municipal Year where Committee Members were able to obtain assurance that the Council had robust procedures in place for identifying and recording conflicts of interest, complaints handling and the management of expenditure under s.106 agreements.

8.2 The Committee is responsible for reviewing and monitoring the Council's Anti-fraud and Corruption policy. It is the role of the Committee to ensure that the Council has robust policies and procedures in place to counter fraud and corruption. The policy was approved by the Committee at the September 2018 meeting; it has been reviewed and updated to include new appendix on Money Laundering which sets out the definition and explanation of money laundering as well as the process to follow if concerns are raised.

8.3 The Chair requested that a report on the decommissioning of Sansome Walk swimming pool, be brought before Committee. The Deputy Director of Governance presented a report at the meeting in March 2019 which outlined the decision-making process that the Perdiswell and Sansome Walk swimming pools project had taken over a number of years and noted that the Council was proposing to embark on other capital projects which should be informed by any lessons learned from this. The Committee discussed the matter at length and requested the Council's Internal Audit Service to undertake a lessons learned review to take place in the 2019/20 municipal year.

9. Conclusion

9.1 The Audit and Governance Committee is a key source of assurance about the Council's arrangements for managing risk and maintaining an effective control environment. The membership of Audit and Governance Committee has remained stable for some time and remains committed to and focussed on the objectives. It is supported through an appropriate level of senior officer advice and representation.

9.2 This report shows how the Audit and Governance Committee has successfully achieved its objectives over the last year and has thereby made a positive contribution to the Council's overall governance and control environment. The Committee has a busy agenda for the year ahead and will continue to balance its routine business alongside areas of special scrutiny.